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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, 2019

RESULTS HIGHLIGHTS

	(Unaudited)	
	Six months ended	
	June 30,	
	2019	2018
	HK\$'000	HK\$'000
Revenue	571,880	587,468
Loss from operations	(197,908)	(284,190)
Loss for the period	(209,600)	(253,563)
		(Restated)
	HK cents	HK cents
Basic loss per share	(3.3)	(4.1)
Diluted loss per share	(3.3)	(4.1)
	(Unaudited)	(Audited)
	June 30,	December 31,
	2019	2018
	HK\$'000	HK\$'000
Total assets	2,262,879	1,677,595
Total liabilities	(1,435,351)	(954,055)
Total equity	827,528	723,540
Net gearing ratio ^(Note 1)	17.5%	41.3%

- With the effective costs saving initiatives, the financial performance of i-CABLE Communications Limited (the “Company” or “i-CABLE”), its subsidiaries and consolidated structured entities (collectively the “Group”) for the six months ended June 30, 2019 was improved as compared to the last corresponding period.
- On the pay television (“Pay TV”) subscription business front, the customer base contracted during the first half of 2019 as compared to the corresponding period in 2018.
- The programming costs for the six months ended June 30, 2019 decreased by approximately 23% as compared to the corresponding period in 2018 as a result of the revamp of programming contents.
- Television (“TV”) segment EBITDA^(Note 2) decreased from a loss of approximately HK\$191 million for the first half of 2018 to a loss of approximately HK\$103 million for the first half of 2019 mainly due to a decrease in programming costs.
- Internet and multimedia segment EBITDA^(Note 2) recorded an increase from approximately HK\$56 million for the corresponding period in 2018 to approximately HK\$72 million for the first half of 2019 mainly contributed by the new revenue streams.
- The rights issue on the basis of three (3) new ordinary shares of the Company (the “Rights Shares”) for every four (4) existing ordinary shares of the Company (the “Shares”) then held at HK\$0.1 (the “Subscription Price”) per Rights Share (the “Rights Issue”) and the issuance of the unlisted long-term convertible bonds (the “LCS”) were completed on June 4, 2019. The total net proceeds raised from the Rights Issue and the LCS were approximately HK\$652 million.

Notes:

1. Net gearing ratio represents total interest-bearing borrowings and convertible bonds less bank and cash balances and restricted bank balances divided by total equity.
2. “EBITDA” represents earnings before interest income, finance costs, non-operating (expense)/income, income tax, depreciation of property, plant and equipment and right-of-use assets but after amortisation of programming library and contract acquisition costs.

BUSINESS REVIEW

In view of the intensifying competition from over-the-top (“OTT”) platforms and digital media, the Group’s revenue in the first half of 2019 was mainly affected by the decline of subscription revenues.

Keen business competition in the market has continued to contract the subscription customer base of Pay TV service and the subscription average revenue per user (the “ARPU”) was affected while the advertising revenue remained stable during the period under review.

For broadband service, despite a saturated market with price war triggered by the incumbents, we are glad to see an increase of approximately 9% compared with 150 thousands for the ending subscriber base of the first half of 2018. This improvement was mainly due to the upgrade of our network to provide high speed Gigabit-capable Passive Optical Network (“GPON”) services, and further enhancement in churn management following the revamp of loyalty programmes for our customers.

Customers (’000)	June 2019	June 2018
TV	786	833
Broadband	164	150
Telephony	85	88

The Group currently owns and operates a territory-wide telecommunications network which covers over two million households in Hong Kong. During the period under review, more resources were devoted in expanding the backbone network, and increasing core network capacity to meet new business requirements and prepare for future growth of the Group. New revenues were generated from the collaboration with China Mobile Hong Kong Company Limited (“CMHK”) in various areas. In the past few months, the Group started to facilitate the design, planning and installation works of CMHK’s infrastructure in Hong Kong.

Meanwhile, the Group maintained business momentum by being awarded the contract of exclusive commercial airtime sales distributor and content provider for the MTR In-train TV of MTR Corporation Limited for the year of 2019 to 2023. The services will be further expanded to the Island Line, Tsuen Wan Line, Tseung Kwan O Line, as well as the future Shatin to Central Link, on top of the five lines currently covered. To drive more revenue, the Group will continue to provide value-added services including integrated marketing solutions, creative content sponsorship, product placement, multi-platform media bundling and so forth.

As Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area was unveiled early this year, the Group collaborated with some of the major media outlets in mainland China to seize the opportunities arising from the Greater Bay Area (GBA). The Group has worked closely together with GuangDong Radio and Television to foster collaborations in the areas of resource utilisation, business development, technology and programme production. In view of the growing demand for financial news and information of the regions, the Greater Bay Area News Centre of CABLE TV was established to produce quality and professional news and finance programmes to help foster information exchange among “9+2” cities.

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.

As an established and popular betting channel, Channel 18 has maintained good reputation for viewers with its professional production and commentaries. Programme production of the channel has been strengthened for higher penetration into the younger customer segment. "Be a Big Punter" (我要做大戶) delivered specialised betting information and analysis; "Racing Popularity" (人氣馬場) presented special features and entertaining stories of the racing circle. A brand new mobile app "Racing GPS" (賽馬GPS) was introduced which provided access to the racing channel on the new media, professional racing information and analysis, as well as membership scheme with exclusive events and online interaction.

Drama Channel maintained its viewership and remained the most-watched channel among the platform. We will continue to introduce high quality drama series with diversified genres to our subscribers and improve consumer stickiness by more customer-focused acquisition and strategic programme scheduling.

In January 2019, i-CABLE and beIN Asia Pacific announced to extend their collaboration to offer live coverage of the UEFA Champions League (歐洲聯賽冠軍盃) and the UEFA Europa League (歐霸盃足球賽) to Pay TV viewers from 2018/19 to 2020/21 seasons. In addition to its current top football leagues offering, i-CABLE continues to provide unparalleled access to international football actions with professional analysis and Cantonese commentary to Hong Kong viewers, which includes UEFA Nations League (歐洲國家聯賽), European Qualifiers to EURO 2020 (歐洲國家盃外圍賽), Serie A (意大利甲組足球聯賽), Ligue 1 (法國甲組足球聯賽), J.League (日本職業足球聯賽), Australia's Hyundai A-League (澳洲職業足球聯賽), Turkish Süper Lig (土耳其超級足球聯賽), Superliga Argentina (阿根廷甲組足球聯賽) and so forth.

During the period under review, the Group also carried other major sports events like Cathay Pacific/HSBC Hong Kong Sevens (國泰航空/滙豐香港國際七人欖球賽), FIVB Women's Volleyball Nations League (世界女排聯賽), FIVB Men's Volleyball Nations League (世界男排聯賽), FIFA Women's World Cup (FIFA女子世界盃), BWF Sudirman Cup (蘇迪曼盃羽毛球賽), ITTF World Table Tennis Championship (世界乒乓球錦標賽), IIHF Ice Hockey World Championship (世界冰球錦標賽), etc.

Since the rebranding of free TV Channel 77 to Hong Kong Open TV (香港開電視), the Group's self-produced programmes put more focus on producing infotainment programmes. The Channel is dedicated to enhancing the connection to local communities, and hopes to bring Hong Kong families choices of quality programmes, new knowledge and new perspectives. "Mega Showdown" (開嚟見我), a daily informative programme on weekdays, was introduced to talk about Hong Kong current affairs. Celebrities, professionals, subject experts and government officials were invited to share their views on some of the most controversial topics in town. "Walk with You" (同理 • 繼續走), a self-produced programme hosted by Mr. Steven Ma (馬浚偉), a renowned actor in Hong Kong as well as the Mainland, was awarded the "Certificate for Creative Excellence" and "Sliver Screen" in the 52nd US International Film & Video Festival.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Review of Results

Revenue of the Group for the six months ended June 30, 2019 decreased by approximately HK\$15 million or 3% to approximately HK\$572 million (for the six months ended June 30, 2018: HK\$587 million).

Cost of services of the Group for the six months ended June 30, 2019, including programming costs, network expenses and cost of sales, decreased by approximately HK\$101 million to approximately HK\$591 million (for the six months ended June 30, 2018: HK\$692 million). Programming costs and network expenses decreased by approximately 23% and 3% respectively, while cost of sales increased by approximately 30% as compared to the last corresponding period. Selling, general and administrative and other operating expenses of the Group slightly decreased by approximately 1% as compared to the last corresponding period.

Loss from operations of the Group for the six months ended June 30, 2019 was approximately HK\$198 million, representing a decrease of approximately 30%, as compared with the operating loss of approximately HK\$284 million for the corresponding period in 2018.

During the six months ended June 30, 2018, the Group recorded a gain on the disposal of a subsidiary, which was a property holding company, of approximately HK\$32 million.

After the recognition of interest income, finance costs, non-operating (expense)/income and income tax, the Group recorded a net loss of approximately HK\$210 million for the six months ended June 30, 2019 (for the six months ended June 30, 2018: HK\$254 million). Basic and diluted loss per share for the six months ended June 30, 2019 were approximately HK3.3 cents (basic and diluted loss per share for the six months ended June 30, 2018 (restated): HK4.1 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 and other related businesses.

Revenue derived from the television segment for the six months ended June 30, 2019 decreased by approximately 10% to approximately HK\$376 million (for the six months ended June 30, 2018: HK\$416 million) on lower subscription revenue.

Operating costs before depreciation incurred by the television segment for the six months ended June 30, 2019 decreased by approximately 21% to approximately HK\$479 million (for the six months ended June 30, 2018: HK\$607 million). EBITDA for the six months ended June 30, 2019 was at a loss of approximately HK\$103 million (for the six months ended June 30, 2018: a loss of approximately HK\$191 million) mainly due to net effect of the decrease in programming costs and the decrease on revenue.

Internet and multimedia

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

Revenue derived from the internet and multimedia segment for the six months ended June 30, 2019 increased by approximately 19% to approximately HK\$186 million (for the six months ended June 30, 2018: HK\$156 million).

Operating costs before depreciation incurred by the internet and multimedia segment for the six months ended June 30, 2019 increased by approximately 14% to approximately HK\$114 million (for the six months ended June 30, 2018: HK\$100 million). EBITDA for the six months ended June 30, 2019 increased by approximately 29% to approximately HK\$72 million (for the six months ended June 30, 2018: HK\$56 million).

(C) Liquidity, Financial Resources and Capital Structure

As at June 30, 2019, the Group had cash and bank balances and restricted bank balances of approximately HK\$676 million and HK\$18 million respectively as compared to approximately HK\$178 million and HK\$18 million respectively as at December 31, 2018. The cash and bank balances and restricted bank balances of the Group as at June 30, 2019 and December 31, 2018 are mainly denominated in Hong Kong Dollar (“HK\$”). The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less bank and cash balances and restricted bank balances divided by total equity, was approximately 17.5% (December 31, 2018: 41.3%). The capital structure of the Group was 50% debt and 50% equity as at June 30, 2019, representing an increase of approximately 9% and a decrease of approximately 9% respectively as compared with approximately 41% debt and approximately 59% equity as at December 31, 2018.

Consolidated net asset value of the Group as at June 30, 2019 was approximately HK\$828 million, representing an increase of approximately 14%, as compared with consolidated net asset value of the Group as at December 31, 2018 of approximately HK\$724 million.

The carrying amount of interest-bearing borrowings denominated in HK\$ as at June 30, 2019 was HK\$495 million (December 31, 2018: 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 June 30, 2019 amounted to HK\$5 million (December 31, 2018: HK\$5 million).

The carrying amount of the LCS denominated in HK\$ as at June 30, 2019 was approximately HK\$345 million (December 31, 2018: HK\$Nil). Details of the LCS were set out in the section headed “LCS” and note 15 to the condensed consolidated interim financial information.

In September 2017, the Company completed the open offer (the “Open Offer”) of 3,352,520,666 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, Hong Kong Cable Television Limited (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, 2018 and intended use of such unutilised net proceeds	Actual use of net proceeds from the Open Offer during the six months ended June 30, 2019	Unutilised net proceeds from the Open Offer as at June 30, 2019
Approximately HK\$19 million comprising:	Approximately HK\$19 million comprising:	HK\$Nil
(i) approximately HK\$6 million for investments in network related capital expenditure;	(i) approximately HK\$6 million for investments in network related capital expenditure;	(i) HK\$Nil;
(ii) approximately HK\$8 million for investments in television related capital expenditure; and	(ii) approximately HK\$8 million for investments in television related capital expenditure; and	(ii) HK\$Nil; and
(iii) approximately HK\$5 million for funding required for operating requirements of the Group	(iii) approximately HK\$5 million for funding required for operating requirements of the Group	(iii) HK\$Nil

Loan Facility

On January 25, 2019, Forever Top (Asia) Limited (the “Controlling Shareholder”) as lender and the Company as borrower entered into the loan agreement (the “Loan Agreement”) pursuant to which the Controlling Shareholder agreed to grant the loan facility (the “Loan Facility”) of up to HK\$200 million to the Company at interest rate of the Hong Kong Interbank Offered Rate for interest period of three (3) months per annum, unsecured and repayable at the earlier of (a) 18-months from the date of the Loan Agreement; and (b) five (5) 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 purpose of the Loan Facility was for the Company’s general working capital requirements. The Company did not draw any loan under the Loan Facility and the fund raising activities, including the Rights Issue and the issuance of the LCS, were completed on June 4, 2019. As such, the term of the Loan Agreement has expired accordingly. Details of the Loan Agreement were set out in the announcement of the Company dated January 25, 2019 and the circular (the “Circular”) of the Company dated April 8, 2019.

Rights Issue

In addition to the above Loan Facility granted to the Company, on January 25, 2019 the Company announced a fund raising proposal, comprising the Rights Issue on the basis of three (3) Rights Shares for every four (4) existing Shares then held at the Subscription Price of HK\$0.1 per Rights Share, on June 4, 2019, the Rights Issue was completed and based on the subscription results of the Rights Issue and the placing results of the compensatory arrangements, the number of Rights Shares that have been allotted and issued amounted to 928,603,364 to the shareholders of the Company (the “Shareholders”) who accepted and validly applied paid for the Rights Shares, representing approximately 20.0% of the total number of Rights Shares offered for subscription under the Rights Issue and the net proceeds raised from the Rights Issue was approximately HK\$84.5 million (being the gross proceeds of approximately HK\$92.9 million after deducting approximately HK\$8.4 million expenses). The Subscription Price represents a discount of approximately 13.0% to the closing price of HK\$0.115 per Share as quoted on The Stock Exchange of the Hong Kong Limited (the “Stock Exchange”) on January 25, 2019, being the date on which the terms of the Rights Issue were fixed. The net price per Rights Share was approximately HK\$0.09.

The reasons for the Rights Issue are to improve the liquidity of the Group, strengthen the Group’s capital base, provide additional funding for the Group’s capital expenditure, meet the cash flow needs of the Group and provide additional funding to fulfill the investment requirements under the regulatory licences.

Details of the Rights Issue were set out in the announcements of the Company dated January 25, 2019, May 27, 2019, May 31, 2019 and June 4, 2019, the Circular and the prospectus (the “Prospectus”) of the Company dated May 9, 2019.

LCS

On January 25, 2019, the Company entered into the unlisted long-term convertible securities subscription agreement with the Controlling Shareholder, pursuant to which the Company has conditionally agreed to issue, and the Controlling Shareholder has conditionally agreed to subscribe for the LCS. On June 4, 2019, the issuance of the LCS with the principal amount of HK\$568 million to the Controlling Shareholder was completed. The LCS would be convertible into 4,544,000,000 new Shares upon full conversion of the LCS based on the initial conversion price (the “Conversion Price”) of HK\$0.125 per conversion share. The Conversion Price represents a premium of approximately 8.7% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on January 25, 2019, being the date on which the terms of the LCS were fixed. The coupon rate of the LCS is 2.0% per annum and payable quarterly. The LCS is convertible into ordinary Shares at any time during the period from the date of the issue of the LCS up to the close of business on the maturity date, subject to the conversion restrictions. The maturity date of the LCS is the end of the tenth year from date of the issue of the LCS and all of the remaining outstanding LCS will be redeemed by the Company at 100% of the outstanding principal amount of the LCS together with any interest accrued but unpaid thereon. The net price per conversion share was approximately HK\$0.125.

The reasons for the issuance of the LCS are to improve the liquidity of the Group, strengthen the Group's capital base, provide additional funding for the Group's capital expenditure, meet the cash flow needs of the Group and provide additional funding to fulfill the investment requirements under the regulatory licences.

Details of the LCS were set out in the announcements of the Company dated January 25, 2019 and June 4, 2019, and the Circular.

The following table sets forth the information in relation to the use of the net proceeds from the Rights Issue and the LCS:

Intended use of net proceeds of the Rights Issue and the LCS as disclosed in the Circular and the Prospectus	Actual use of net proceeds during the period from the completion of the Rights Issue and the issuance of the LCS to June 30, 2019	Intended use of unutilised net proceeds from the Rights Issue and the LCS as at June 30, 2019 and the expected timeline
Approximately HK\$652 million comprising:	HK\$30 million	Approximately HK\$622 million
(i) Approximately HK\$140 million for investments in capital expenditure including:	(i) HK\$6 million;	(i) Approximately HK\$134 million for investment in capital expenditure within 18 months from the completion of the Rights Issue and the issuance of the LCS;
(i)(a) approximately HK\$41 million for the enhancement of network infrastructure;	(i)(a) HK\$2 million;	
(i)(b) approximately HK\$20 million for the upgrade of broadcasting equipment;	(i)(b) HK\$Nil;	
(i)(c) approximately HK\$36 million for the upgrade of converters and modems;	(i)(c) HK\$1 million;	
(i)(d) approximately HK\$43 million for capital expenditure in leasehold improvement, furniture and fixture and office equipment;	(i)(d) HK\$3 million;	

Intended use of net proceeds of the Rights Issue and the LCS as disclosed in the Circular and the Prospectus	Actual use of net proceeds during the period from the completion of the Rights Issue and the issuance of the LCS to June 30, 2019	Intended use of unutilised net proceeds from the Rights Issue and the LCS as at June 30, 2019 and the expected timeline
(ii) Approximately HK\$350 million for acquisition of programmes and programme production including:	(ii) HK\$11 million;	(ii) Approximately HK\$339 million for acquisition of programmes and programme production within 18 months from the completion of the Rights Issue and the issuance of the LCS; and
(ii)(a) approximately HK\$161 million for the funding requirement of acquired channels;	(ii)(a) HK\$Nil;	
(ii)(b) approximately HK\$100 million for the funding requirement of live programmes, movies and dramas and other entertainment programs;	(ii)(b) HK\$5 million;	
(ii)(c) approximately HK\$89 million for the funding requirement of self-produced programmes; and	(ii)(c) HK\$6 million; and	
(iii) Approximately HK\$162 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses	(iii) HK\$13 million	(iii) Approximately HK\$149 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses within 12 months from the completion of the Rights Issue and the issuance of the LCS

The net proceeds from the Rights Issue and the LCS that have been utilised were used according to the intentions disclosed in the Circular and the Prospectus. They will not be applied towards the repayment of the Loan Facility as the Company did not draw any loan under it.

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.

During the six months ended June 30, 2019, capital expenditure on property, plant and equipment amounted to approximately HK\$66 million (for the six months ended June 30, 2018: HK\$96 million), the additions to right-of-use assets was approximately HK\$199 million (for the six months ended June 30, 2018: HK\$Nil) and the additions to programming library was approximately HK\$18 million (for the six months ended June 30, 2018: HK\$51 million).

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

(D) Contingent Liabilities

As at June 30, 2019, the Group did not have any contingent liabilities.

(E) Guarantees

Guarantees and indemnities have been provided by the Company to a bank and Wharf Finance Limited totally of HK\$500 million (December 31, 2018: HK\$500 million) in respect of guarantee facilities of borrowings up to HK\$500 million (December 31, 2018: HK\$500 million) to a wholly-owned subsidiary of the Company. Of this amount, at June 30, 2019, HK\$495 million (December 31, 2018: HK\$495 million) was utilised by the subsidiary of the Company.

As at June 30, 2019, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties amounting to approximately HK\$38 million (December 31, 2018: HK\$42 million), of which approximately HK\$8 million (December 31, 2018: 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 expenditure and operating expenditure (including programming costs) requirement for providing the domestic free television programme service under the domestic free television programme service licence.

(F) Human Resources

The Group had 1,490 employees as at June 30, 2019 (June 30, 2018: 1,898). Total gross salaries and related costs before capitalisation and incurred for the six months ended June 30, 2019 amounted to approximately HK\$287 million (for the six months ended June 30, 2018: HK\$323 million). The remuneration of the directors of the Company (the "Directors") and the employees of the Group including salaries and bonus 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

In view of the intensifying competition from OTT platforms and digital media, the Group's revenue in the first half of 2019 was mainly affected by the decline of subscription revenues.

Keen business competition in the market has continued to contract the subscription customer base of Pay TV service and the subscription ARPU was affected while the advertising revenue remained stable during the period under review.

For broadband service, despite a saturated market with price war triggered by the incumbents, we are glad to see an increase of approximately 9% compared with 150 thousands for the ending subscriber base of the first half of 2018. This improvement was mainly due to the upgrade of our network to provide high speed GPON services, and further enhancement in churn management following the revamp of loyalty programmes for our customers.

(H) Charge on Group Assets

As at June 30, 2019, restricted bank balances of approximately HK\$18 million (December 31, 2018: HK\$18 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 (the "Listing Rules") on the Stock Exchange, for the six months ended June 30, 2019.

(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.

The Group's ongoing capital expenditure will be funded by internal cash flows generated from operations, the available credit facilities and the proceeds from the Rights Issue and the LCS.

(K) Outlook

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, 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 will continue to evaluate forming partnership or disposing its loss making operations to reduce the cash drain on the business. However, 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, on Channel 76 in July 2018 and focuses on providing financial news and information with programmes in both English and Putonghua. The above measures could enhance the overall competitiveness of the Group.

The Group also entered into a network development agreement with CMHK in December 2018 in relation to a strategic collaboration in telecommunications and value-added media-related services. The cross-platform collaboration would dynamically integrate the strengths and creativity of the two companies, develop higher-quality, diversified telecommunications services, and strengthen sales channels. The two companies would work together to take the development of the local telecommunications and media market to a new level and the partnership with CMHK represents a significant step forward in future development of the Group.

With respect to the internet and multimedia segment, the Group provides its internet broadband services through the backbone of the Group’s territory-wide television broadcasting infrastructure. In order to improve business competitiveness, it is essential for the Group to continue investing in network and to actively seek collaborative opportunities with leading technology and communication providers to deliver quality services and solutions to its customers, and develop new revenue streams in the 5G era.

The television segment of the Group is experiencing intense competition in a crowded marketplace with a super dominant operator. The proliferation of online contents — many of those free of charge — offer abundance of choices to users, changing their viewing behavior and posing extra threat to the Group's TV subscription business. At the same time, the increasingly keen competition for exclusive contents has raised acquisition costs. Pressure on subscription and viewership persists as competition is expected to remain keen, thus the business remains challenging. An OTT service focusing on news and finance will be introduced in the fourth quarter this year to expand channel reach to viewers, while enhancing cross-platform synergy as well as business opportunity.

Meanwhile, the GBA is posing a significant opportunity for the Group to shape and expand the business development by collaborating with major media and operators within the region. The partnership with Guangdong Radio and Television and the establishment of Greater Bay Area News Centre serve as the initial attempts to tap into the market and businesses in relations to the region. The Group will continue to leverage its competitive advantages, while at the same time embrace the mutually beneficial commercial potential of greater collaboration within the GBA.

The Group will continue to explore new opportunities in the market and exercise prudence to invest in programming library, contents enrichment, new media development, customer service improvement, higher speed broadband service upgrades, as well as marketing and media initiatives to sharpen the competitiveness of the Group. The Group is also well prepared to capitalise on the opportunity brought about by the upcoming 5G mobile communication network and the emerging market in the GBA.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2019 – unaudited

		Six months ended June 30,	
		2019	2018
	Note	HK\$'000	HK\$'000
Revenue	7, 8	571,880	587,468
Cost of services			
— Programming costs		(373,799)	(482,832)
— Network expenses		(161,144)	(165,902)
— Cost of sales		(56,269)	(43,406)
Selling, general and administrative and other operating expenses		<u>(178,576)</u>	<u>(179,518)</u>
Loss from operations		(197,908)	(284,190)
Interest income		1,046	1,458
Finance costs		(12,443)	(4,300)
Non-operating (expense)/income		<u>(143)</u>	<u>32,445</u>
Loss before taxation	9	(209,448)	(254,587)
Income tax	10	<u>(152)</u>	<u>1,024</u>
Loss for the period		<u>(209,600)</u>	<u>(253,563)</u>
Attributable to:			
Equity shareholders of the Company		<u>(209,600)</u>	<u>(253,563)</u>
Loss per share	11		(Restated)
Basic		<u>(3.3) HK cents</u>	<u>(4.1) HK cents</u>
Diluted		<u>(3.3) HK cents</u>	<u>(4.1) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019 – unaudited

	Six months ended June 30,	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(209,600)	(253,563)
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation difference	<u>72</u>	<u>254</u>
Total comprehensive income for the period	<u>(209,528)</u>	<u>(253,309)</u>
Attributable to:		
Equity shareholders of the Company	<u>(209,528)</u>	<u>(253,309)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

		Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		814,694	858,917
Programming library		89,766	115,502
Right-of-use assets	4	139,867	–
Other intangible assets		1,218	1,218
Contract acquisition costs		14,393	15,344
Interest in an associate		–	–
Deferred tax assets		300,525	300,525
Deposits, prepayments and other receivables		46,367	43,472
		<u>1,406,830</u>	<u>1,334,978</u>
Current assets			
Inventories		11,637	10,130
Trade receivables	12	47,293	58,404
Deposits, prepayments and other receivables		80,088	54,233
Contract acquisition costs		22,260	23,715
Restricted bank balances		18,320	18,320
Cash and bank balances		676,451	177,815
		<u>856,049</u>	<u>342,617</u>
Total assets		<u><u>2,262,879</u></u>	<u><u>1,677,595</u></u>
EQUITY			
Capital and reserves			
Share capital	14	7,928,975	7,844,472
Reserves		<u>(7,101,447)</u>	<u>(7,120,932)</u>
Total equity		<u><u>827,528</u></u>	<u><u>723,540</u></u>

		Unaudited	Audited
		June 30,	December 31,
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Convertible bonds	15	344,740	–
Lease liabilities	4	97,213	–
Accrued expenses and other payables		22,068	21,068
Receipts in advance and customers' deposits		69	288
		<u>464,090</u>	<u>21,356</u>
Current liabilities			
Trade payables	13	29,932	49,567
Accrued expenses and other payables		262,010	248,390
Receipts in advance and customers' deposits		153,749	139,670
Interest-bearing borrowings		495,000	495,000
Lease liabilities	4	30,496	–
Current tax liabilities		74	72
		<u>971,261</u>	<u>932,699</u>
Total liabilities		<u>1,435,351</u>	<u>954,055</u>
Total equity and liabilities		<u>2,262,879</u>	<u>1,677,595</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 “Stock Exchange”).

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, other television related businesses, broadband internet access services, portal operation, mobile content licensing, telephony services and network leasing as well as other internet access related businesses.

The condensed consolidated interim financial information for the six months ended June 30, 2019 (the “Interim Financial Information”) is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. The Interim Financial Information has been approved for issue by the board of Directors (the “Directors”) of the Company on August 23, 2019.

The financial information relating to the year ended December 31, 2018 that is included in the Interim Financial Information as comparative information 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 financial statements for the year ended December 31, 2018 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).

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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This Interim Financial Information should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

During the period ended June 30, 2019, the Group incurred a net loss of HK\$210 million (2018: HK\$254 million), net operating cash outflows of HK\$47 million (2018: HK\$168 million) and, as of June 30, 2019, the Group’s current liabilities exceeded its current assets by HK\$115 million (December 31, 2018: HK\$590 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. The Company completed a rights issue to its shareholders and further issued the long-term convertible bonds to Forever Top (Asia) Limited (“Forever Top”), a company holding 43.2% shareholding in the Company, on June 4, 2019 which raised net proceeds of HK\$84.5 million and HK\$568.0 million, respectively, thereby increasing the cash and bank balances as at June 30, 2019 to HK\$695 million (December 31, 2018: HK\$196 million) and strengthening the capital base of the Group.

In preparing the Interim Financial Information, 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 June 30, 2019. 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 expected renewal of the revolving bank loan facility of HK\$400 million in the first half of 2020 on the substantially same terms, which include the bank’s overriding right to demand repayment.
2. Progress and current achievements of the organisational restructuring which includes cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio.
3. 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 June 30, 2019.

The Directors, 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 June 30, 2019. Accordingly, the Directors considered it appropriate to prepare the Interim Financial Information of the Group on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2018, as described in those annual financial statements, except for the adoption of the new standard, amendments to standards and interpretation effective for the financial year ending December 31, 2019, and the accounting policy of convertible bonds.

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

During the period ended June 30, 2019, 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, 2019:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HK (IFRIC) 23	Uncertainty over Income Tax Treatments
Annual Improvements Project	Annual Improvements 2015–2017 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 4 below.

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

The following new standard and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts ⁽³⁾
HKFRS 3 (Amendments)	Business Combinations ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material ⁽¹⁾
Conceptual Framework for Financial Report 2018	Revised Conceptual Framework for Financial Reporting ⁽¹⁾

⁽¹⁾ Effective for annual periods beginning on or January 1, 2020

⁽²⁾ Effective for business combinations and asset acquisitions for which the acquisition date is on or after beginning of the first annual period beginning on or after January 1, 2020

⁽³⁾ Effective for annual periods beginning on or after January 1, 2021

⁽⁴⁾ Effective date is to be determined

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

(c) Convertible bonds

Convertible bonds are recognised initially at fair value, net of transactions costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

4. CHANGE IN ACCOUNTING POLICY

The Group has adopted HKFRS 16 "Leases" from January 1, 2019 retrospectively but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to these lease liabilities on January 1, 2019 was 5.87%.

	<i>HK\$'000</i>
Operating lease commitments disclosed as at December 31, 2018	46,323
Discounted using the lessee's incremental borrowing rate at the date of initial application	43,027
Less: short-term leases recognised on straight-line basis as expense	(2,691)
Less: low-value leases recognised on straight-line basis as expense	(468)
Add: adjustment as a result of a different treatment of extension and termination option	141,617
Lease liabilities recognised as at January 1, 2019	181,485
Of which are:	
Current lease liabilities	69,744
Non-current lease liabilities	111,741

The associated right-of-use assets for property leases were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets

	Unaudited June 30, 2019 HK\$'000	Unaudited January 1, 2019 HK\$'000
Properties	<u>139,867</u>	<u>198,675</u>

(i) *Impact on segment disclosures*

Right-of-use assets and lease liabilities are now included in segment assets and liabilities respectively. The change in accounting policy resulted in increases in segment assets and segment liabilities as at June 30, 2019, and improvement in segment results before corporate expenses for the period ended June 30, 2019 as follows:

	Segment results before corporate expenses HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Television	1,202	90,201	92,848
Internet and multimedia	<u>580</u>	<u>32,548</u>	<u>33,025</u>

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 “Lease” and HK (IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group's leasing activities and how these are accounted for

The Group leases a number of premises mainly for use as office premises, car parks and warehouses. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of two to fifteen years, and certain leases have two option each for a three-year term, to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every one to three years to reflect market rentals. None of the leases includes contingent rentals.

Until December 31, 2018, leases of office premises, car parks and warehouses were classified as operating leases. Payment made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date; and
- restoration cost

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Approximately 78% of the total lease payments made in 2019 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of HK\$75,867,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising termination options was a decrease in recognised lease liabilities and right-of-use assets of HK\$40,560,000 and HK\$40,367,000 respectively.

5. ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information 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 expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

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.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018.

There have been no changes in the risk management policies since December 31, 2018.

(b) Liquidity risk

Other than convertible bonds with a principal amount of HK\$568 million issued on June 4, 2019, which will be due in June 2029, and lease liabilities of HK\$128 million, there was no other material change in the contractual undiscounted cash outflows for financial liabilities when compared to 2018 year end.

7. REVENUE

Revenue comprises principally subscription, service and related fees for television, and internet and multimedia (including telephony) services. It also includes advertising revenue net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income and other related income.

8. 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 and other related businesses.

The internet and multimedia segment includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing 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 (expense)/income, income tax, depreciation of property, plant and equipment and right-of-use assets 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, convertible bonds and interest-bearing borrowings directly attributable to and managed by each segment with the exception of current tax liabilities and liabilities at the 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 six months ended June 30, 2019 and 2018 is set out below:

Unaudited Six months ended June 30,							
	Television		Internet and multimedia		Others		Total
	2019	2018	2019	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	380,138	419,915	186,354	156,127	13,533	17,365	580,025
Less: Inter-segment revenue	(4,315)	(4,263)	(105)	(104)	(3,725)	(1,572)	(8,145)
Revenue from external customers	<u>375,823</u>	<u>415,652</u>	<u>186,249</u>	<u>156,023</u>	<u>9,808</u>	<u>15,793</u>	<u>571,880</u>
Revenue from contracts with customers:							
Timing of revenue recognition:							
At a point in time	5,314	5,198	9,548	146	1,158	5,723	16,020
Over time	352,114	390,646	176,428	155,563	8,615	9,480	537,157
Revenue from other sources:							
Rental income	<u>18,395</u>	<u>19,808</u>	<u>273</u>	<u>314</u>	<u>35</u>	<u>590</u>	<u>18,703</u>
	<u>375,823</u>	<u>415,652</u>	<u>186,249</u>	<u>156,023</u>	<u>9,808</u>	<u>15,793</u>	<u>571,880</u>
Reportable segment EBITDA	(103,265)	(191,261)	71,634	56,496	2,854	5,864	(28,777)
Depreciation	<u>(69,827)</u>	<u>(60,518)</u>	<u>(41,688)</u>	<u>(35,501)</u>	<u>(178)</u>	<u>(178)</u>	<u>(111,693)</u>
Reportable segment results before corporate expenses	<u>(173,092)</u>	<u>(251,779)</u>	<u>29,946</u>	<u>20,995</u>	<u>2,676</u>	<u>5,686</u>	<u>(140,470)</u>
Corporate expenses and depreciation							<u>(57,438)</u>
Loss from operations							(197,908)
Interest income							1,046
Finance costs							(12,443)
Non-operating (expense)/income							(143)
Income tax							<u>(152)</u>
Loss for the period							<u>(209,600)</u>

	Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
Segment assets		
Television	1,271,903	874,948
Internet and multimedia	618,050	419,328
Others	22,482	16,042
	1,912,435	1,310,318
Corporate assets	49,919	66,752
Interest in an associate	–	–
Deferred tax assets	300,525	300,525
	2,262,879	1,677,595
Segment liabilities		
Television	935,620	623,045
Internet and multimedia	429,742	250,883
Others	28,250	23,612
	1,393,612	897,540
Corporate liabilities	41,665	56,443
Current tax liabilities	74	72
	1,435,351	954,055

During the six months ended June 30, 2019, there were additions of HK\$66,208,000 (2018: HK\$95,741,000) to property, plant and equipment, HK\$198,675,000 (2018: HK\$Nil) to right-of-use assets and HK\$17,925,000 (2018: HK\$50,704,000) to programming library respectively.

Geographical segment:

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

9. LOSS BEFORE TAXATION

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

	Unaudited	
	six months ended June 30,	
	2019	2018
	HK\$'000	HK\$'000
Finance costs		
— Interest expenses on borrowings	6,444	4,300
— Interest expenses on lease liabilities	4,127	—
— Interest expenses on convertible bonds	1,872	—
Other items		
Depreciation		
— assets held for use under operating leases	11,906	10,353
— other assets	84,383	86,997
— right-of-use assets	18,440	—
Amortisation of programming library*	43,661	58,640
Amortisation of contract acquisition costs	18,600	13,018
Non-operating expense/(income)		
— gain on disposal of a subsidiary	—	(31,634)
— net loss/(gain) on disposal of plant and equipment	143	(811)

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

10. INCOME TAX

Hong Kong and The People's Republic of China ("PRC") profits tax has been provided at the rate of 16.5% (2018: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively. The provision for both Hong Kong and PRC tax is calculated by applying the estimated annual effective tax rate.

	Unaudited	
	six months ended June 30,	
	2019	2018
	HK\$'000	HK\$'000
Current income tax — PRC	152	174
Deferred income taxation	—	(1,198)
Income tax expense/(credit)	152	(1,024)

11. 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\$209,600,000 (2018: HK\$253,563,000) and the weighted average of 6,390,612,863 ordinary shares of the Company (the “Shares”) (2018 (restated): 6,259,316,865) in issue during the period.

	Unaudited 2019	Unaudited (Restated) 2018
Weighted average number of the Shares		
Issued Shares at January 1	6,206,020,156	6,206,020,156
Effect of rights issue (<i>Note 14(ii)</i>)	<u>184,592,707</u>	<u>53,296,709</u>
Weighted average number of the Shares at June 30	<u><u>6,390,612,863</u></u>	<u><u>6,259,316,865</u></u>

The diluted loss per Share for the six months ended June 30, 2019 and 2018 equal to the basic loss per Share since the exercise of the outstanding share options and conversion rights attached to the convertible bonds would not have a dilutive effect on the loss per Share.

The loss per Share for the six months ended June 30, 2018 was restated by adjusting the weighted average number of Shares in issue for the bonus element due to the rights issue.

12. 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:

	Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
0 to 30 days	25,404	18,799
31 to 60 days	5,569	15,239
61 to 90 days	7,171	11,958
Over 90 days	<u>9,149</u>	<u>12,408</u>
	<u><u>47,293</u></u>	<u><u>58,404</u></u>

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.

13. TRADE PAYABLES

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

	Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
0 to 30 days	8,756	10,468
31 to 60 days	15,831	22,028
61 to 90 days	2,028	6,221
Over 90 days	3,317	10,850
	<u>29,932</u>	<u>49,567</u>

14. SHARE CAPITAL

	Unaudited 2019		Audited 2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:				
At January 1	6,206,020,156	7,844,472	6,206,020,156	7,844,472
Shares issued under rights issue (Note 14 (ii))	928,603,364	92,860	–	–
Transaction costs incurred in respect of rights issue	–	(8,357)	–	–
At June 30/December 31	<u>7,134,623,520</u>	<u>7,928,975</u>	<u>6,206,020,156</u>	<u>7,844,472</u>

(i) Share option scheme

A share option scheme (the “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\$0.210 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%.

As a result of the Rights Issue (as defined thereafter), the number of Shares issuable and the exercise price per Share payable upon exercise of the outstanding share options granted under the Share Option Scheme were adjusted from 279,200,000 to 287,240,960 and from HK\$0.210 to HK\$0.204 respectively.

During the period from January 1, 2019 to June 30, 2019, no share option was exercised and share option carrying the right to subscribe 3,497,920 Shares was lapsed.

(ii) Rights issue

On January 25, 2019, the Company announced a fund raising proposal comprising a rights issue on the basis of three (3) new ordinary Shares of the Company (the “Rights Shares”) for every four (4) existing Shares then held at the subscription price of HK\$0.1 per Rights Share (the “Rights Issue”). On June 4, 2019, the Company completed the Rights Issue of 928,603,364 Shares for gross proceeds of HK\$92,860,000 (net proceeds of HK\$84,503,000). The weighted average number of ordinary Shares for the purpose of calculation of basic loss per Share have been adjusted for the bonus element of the Rights Issue.

15. CONVERTIBLE BONDS

On January 25, 2019, the Company entered into the unlisted long-term convertible securities 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. On June 4, 2019, the issuance of the LCS with the principal amount of HK\$568 million to Forever Top was completed. The LCS would be convertible into 4,544,000,000 new Shares upon full conversion of the LCS based on the initial conversion price (the “Conversion Price”) of HK\$0.125 per conversion share. The Conversion Price represents a premium of approximately 8.7% over the closing price of HK\$0.115 per Share as quoted on the Stock Exchange on January 25, 2019, being the date on which the terms of the LCS were fixed. The coupon rate of the LCS is 2.0% per annum and payable quarterly. The LCS is convertible into ordinary Shares at any time during the period from the date of the issue of the LCS up to the close of business on the maturity date, subject to the conversion restrictions. The maturity date of the LCS is the end of the tenth year from date of the issue of the LCS and all of the remaining outstanding LCS will be redeemed by the Company at 100% of the outstanding principal amount of the LCS together with any interest accrued but unpaid thereon.

On the date of issuance of the convertible bonds, the fair value of liability component of HK\$344 million was recognised and the fair value of HK\$224 million, representing equity element, was recognised and presented in equity heading “equity component of convertible bonds” at initial recognition. The effective interest rate of the liability component was 7.69% per annum.

The relevant fair value measurement was carried out by an independent qualified professional valuer not connected to the Group.

16. DIVIDEND

The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the six months ended June 30, 2019 (2018: HK\$Nil).

17. CAPITAL COMMITMENTS

Capital commitments outstanding were as follows:

	Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
Property, plant and equipment — Contracted but not provided for	3,867	6,012
Programming library — Contracted but not provided for	11,760	18,915
	<u>15,627</u>	<u>24,927</u>

18. GUARANTEES

Guarantees and indemnities have been provided by the Company to a bank and Wharf Finance totally of HK\$500,000,000 (December 31, 2018: HK\$500,000,000) in respect of guarantee facilities of borrowings up to HK\$500,000,000 (December 31, 2018: HK\$500,000,000) to a wholly-owned subsidiary of the Company. Of this amount, at June 30, 2019, HK\$495,000,000 (December 31, 2018: HK\$495,000,000) was utilised by the subsidiary of the Company.

As at June 30, 2019, the Group has made arrangements with a bank to provide two separate performance bonds to the counterparties amounting to approximately HK\$38.3 million (December 31, 2018: HK\$41.6 million), of which approximately HK\$8.3 million (December 31, 2018: 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 expenditure and operating expenditure (including programming costs) requirement for providing the domestic free television programme service under the domestic free television programme service licence.

19. COMPARATIVES FIGURES

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

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 CG 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 former non-executive Director and Mr. Tang Sing Ming Sherman, an independent non-executive Director and a member of the audit committee of the Company, were unable to attend the general meeting of the Company held on January 9, 2019 as they had other engagements at the time of such meeting.

Tan Sri Dato' David Chiu, the chairman of the Board and a non-executive Director, the chairman of the nomination committee of the Company and a member of the compensation committee of the Company, Dr. Cheng Kar-Shun, Henry, Dr. Cheng Chi-Kong, Adrian and Mr. Tsang On Yip, Patrick, a non-executive Director and a member of the compensation committee of the Company, were unable to attend the general meeting of the Company held on April 25, 2019 as they had other engagements at the time of such meeting.

Dr. Cheng Kar-Shun, Henry and Dr. Cheng Chi-Kong, Adrian were unable to attend the annual general meeting of the Company held on May 30, 2019 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 six months ended June 30, 2019.

The Company has also applied the principles of the Model Code for securities transactions by the employees of the Group.

AUDIT COMMITTEE AND REVIEW OF INTERIM 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 overseeing 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 unaudited condensed consolidated interim financial information of the Group and the interim report of the Company for the six months ended June 30, 2019 have been reviewed by the Audit Committee with no disagreement by the Audit Committee. The auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the six months ended June 30, 2019 (for the six months ended June 30, 2018: 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 six months ended June 30, 2019.

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

Hong Kong, August 23, 2019

As at the date of this announcement, the Board comprises eleven Directors, namely Tan Sri Dato' David Chiu (Chairman), Dr. Cheng Kar-Shun, Henry (Vice-chairman), Mr. Tsang On Yip, Patrick, Mr. Hoong Cheong Thard, Mr. Lie Ken Jie Remy Anthony Ket Heng and Ms. Ng Yuk Mui Jessica 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.