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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 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	(Unaudited)	
	Six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenue	431,430	493,483
Loss from operations	(148,628)	(154,061)
Depreciation	104,963	108,860
Amortisation of other intangible assets	2,032	2,016
Loss from operations before depreciation and amortisation of other intangible assets <i>(Note 1)</i>	(41,633)	(43,185)
Loss for the period	(225,874)	(175,216)
	HK cents	HK cents
Basic loss per share	(3.2)	(2.5)
Diluted loss per share	(3.2)	(2.5)
	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Total assets	1,379,712	1,485,592
Total liabilities	(1,459,424)	(1,339,503)
Total (deficit)/equity	(79,712)	146,089
Net gearing ratio <i>(Note 2)</i>	-1,149%	504%

- Due to the outbreak of the fifth wave of the novel coronavirus pandemic (the “COVID-19”) in January 2022, it was another tough time for businesses in Hong Kong in the first half of 2022. The revenue of i-CABLE Communications Limited (the “Company” or “i-CABLE”), its subsidiaries and consolidated structured entities (collectively the “Group”) for the six months ended 30 June 2022 declined by approximately HK\$62 million to approximately HK\$431 million from approximately HK\$493 million for the six months ended 30 June 2021. With the effective cost-saving initiatives, the Group successfully managed a decrease in loss from operations before depreciation and amortisation of other intangible assets to approximately HK\$42 million from approximately HK\$43 million in last corresponding period. After recognising the non-cash unrealised fair value loss on the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss amounted to approximately HK\$40 million (for the six months ended 30 June 2021: unrealised fair value gain of approximately HK\$4 million), other non-operating items and income tax, the Group recorded an increase in net loss to approximately HK\$226 million for the six months ended 30 June 2022, representing an increase of approximately 29%, as compared with net loss of approximately HK\$175 million for the six months ended 30 June 2021.
- Since Forever Top (Asia) Limited (“Forever Top”) became the controlling shareholder of i-CABLE in September 2017, with the implementation of efficacious cost controls and reallocation of resources among business units to maximise the value of the resources devoted, the operating expenses shrank during the last four consecutive years and during the six months ended 30 June 2022. The operating expenses decreased from approximately HK\$648 million for the six months ended 30 June 2021 to approximately HK\$580 million for the six months ended 30 June 2022.
- The number of broadband customers in June 2022 remained stable as compared to that in June 2021. Revenue generated from the telecommunications segment decreased by approximately HK\$12 million from approximately HK\$204 million for the six months ended 30 June 2021 to approximately HK\$192 million for the six months ended 30 June 2022. As Hong Kong’s economic activities were slowdown by the fifth wave of the COVID-19, performance of the telecommunications segment was inevitably affected.

- Regarding the media segment, the customer base of pay television (“Pay TV”) subscription business contracted during the six months ended 30 June 2022, which vitiated the revenue generated from the Pay TV subscription for the six months ended 30 June 2022. On the other hand, the revenue generated from the airtime sales on the television platforms during the six months ended 30 June 2022 has declined as compared to the last corresponding period under the challenge of the fifth wave of the COVID-19 in Hong Kong.
- Segment loss before depreciation and amortisation of other intangible assets of the media segment decreased and segment profit before depreciation and amortisation of other intangible assets of the telecommunications segment dropped during the six months ended 30 June 2022 as compared to the last corresponding period.

Notes:

1. *The Group presents the loss from operations before depreciation and amortisation of other intangible assets, a non-Hong Kong Financial Reporting Standards financial measure, which is a supplemental information in relation to the operating performance of the Group to enable the stakeholders to evaluate and compare the performance across the same industry.*
2. *Net gearing ratio represents total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total deficit/equity.*

BUSINESS REVIEW

OPERATING ENVIRONMENT

The first half of 2022 was a challenging period as Hong Kong was clouded by the fifth wave of the COVID-19. Under the stringent social distancing measures and the slowdown in economic activities, the Hong Kong economy saw a marked deterioration and the business environment has worsened. The media business of the Group remained tough in light of the intensified competition among various multimedia platforms. However, the Group has quickly responded to such competition and the environment by launching the campaign “CABLE x HKOTV Stay with you Fight Against Pandemic” (有線•香港開電視 陪你在家的開心嘞), including several television and online programmes providing health information and entertainment, and other productions to encourage viewers to fight against the COVID-19 positively. This responsive action has enhanced public awareness of the media platforms of the Group. Coupled with the launch of the first phase of spectrum, the Group has also increased the engagement of content and community and ensured the transformation strategy of the Group. The celebration of the 25th anniversary of the establishment of the Hong Kong Special Administrative Region (the “HKSAR”) provided the Group with business opportunities. The number of broadband customers remained stable during the first half of 2022 although the business environment in Hong Kong was impacted by the fifth wave of the COVID-19.

Customers	June 2022 (’000)	June 2021 (’000)
Pay TV	683	731
Broadband	201	200
Telephony	71	74

Media

The fifth wave of the COVID-19 was rapid and fierce in the first half of 2022. The Group implemented a series of viewer-centric programmes. Considering the persistent lockdown of outbound travel, “Game on Snack on” (世界零食開倉戰) was produced to recall the scent of travelling to viewers. The Group has also quickly responded to the needs of the community during the outbreak of the fifth wave of the COVID-19 by launching the campaign “CABLE x HKOTV Stay with you Fight Against Pandemic” (有線•香港開電視 陪你在家的開心嘞). Aiming to provide viewers with information and entertainment while staying at home in all channels of the Group from offline to online media platforms, the Group produced “Keep Fighting Virus” (全城抗疫講呢嘞), which was the first edutainment live programme relating to the COVID-19 among local TV stations, “Cooking in Pandemic” (疫境中的餐桌), “CABLE Stars Lesson” (有線星級學

堂：輕鬆在家Gym) and “Anti-pandemic Quick Tips” (抗疫懶人包). Over 150 celebrities endorsed in the anti-epidemic project by recording cheering video clips, and more than 40 medical professionals worked together to compose and perform the song “Never Give Up” (不要放棄). These responsive actions have increased engagement of content and community which hence enlarged our viewership of health concerned. Significant self-produced health programmes “Fit to the Road” (Fit開有條路), “Osamu Hayashi’s Lecture” (健康原因講多D) and “Kaka’s Home Clinic” (嘉嘉醫療自助班), have contributed to the increase in viewership of Channel 77 Hong Kong Open TV.

During the first half of 2022, the Group continued to gain wider recognition among viewers and media. Diverse and distinctive programmes were acquired including drama, topics of which related to lifestyle, health, documentary, infotainment and so forth. The Group has acquired high-quality programmes such as “Guru’s Travel Depart” (旅遊達人II出走) and TV drama like “In the Storm” (黑金風暴). With considerable investment in and high-profile promotional strategy of self-produced programmes including “Mui’s Cafe 2” (開間咖啡店2), the brand image was improved.

In celebrating the 25th anniversary of the establishment of the HKSAR, the Group produced special programmes including “A 25-Year Journey” (走過25年) and “A 25-Year Journey: Exclusive Interview” (走過25年：專訪系列), which interviewed representatives from political and business areas who have witnessed the changes of Hong Kong over the past 25 years. “Stories of Lion Rock Spirit” (獅子山下的故事), a drama series which telecast the resilient struggle for a better life by ordinary people in Hong Kong over the past 3 decades, reflect Hong Kong’s famous “Lion Rock Spirit”. A series of marketing solutions initiatives and tailored advertising packages were created, driving demands for growth of potential business from government sectors and commercial clients during the celebration of the 25th anniversary of the establishment of the HKSAR.

On the sports front, the Group continued to deliver a wide variety of exclusive world-class competitions to viewers such as FIVB Women’s Volleyball Nations League (FIVB 世界女排聯賽), FIVB Men’s Volleyball Nations League (FIVB 世界男排聯賽), FIBA 3x3 Basketball World Tour (FIBA 三人籃球世界巡迴賽), FINA World Championships (FINA 世界游泳錦標賽), Chinese Basketball League (中國職業籃球聯賽) and so forth. The Group continued to feature prominent football leagues from around the world with professional analysis and Cantonese commentary to its viewers. Furthermore, the Group has been committed to producing and delivering local sports competitions and news to viewers, including “Loving Sports” (愛•體育) which focuses on local sports and local athletes.

As an established and popular horse-racing content channel in the Group's Pay TV market, Channel 18 has maintained enormous popularity in horse-racing circle due to its professional production and commentaries. "Race Card Talk" (排位拆局) provided first-hand race card information to viewers. A series of professional horse racing analysis programmes, including "Be a Big Punter" (我要做大戶), "Race Forecast" (賽馬預測) and "18 Betting Tower" (18 烽火台), were produced. "Trackside" (賽事傳真) and "Racing Review" (賽後嘯Day) are also popular among viewers. The Group has launched the mobile application "Racing GPS" (賽馬GPS), which provides live broadcasting, on-demand archives of racing programmes, professional racing information, analysis and membership scheme with exclusive events and online engagement campaigns.

The Group has been dedicated to developing digital assets and channels. Its Facebook pages have accumulated more than 2 million followers, reaching 25 million users. With dynamic content strategy in social media, the Group has gained 57 million engagements on Facebook in the first half of 2022, achieving a 24% increment as compared to that in the previous six-month period.

To keep up with digital transformation, the Group has hired a team of professionals. With their high calibre, the Group successfully revamped the websites of Channel 77 Hong Kong Open TV and i-CABLE in April 2022 and May 2022 respectively to enhance user experience on digital platforms. By integrating the digital assets and content with cloud infrastructure, both websites of Channel 77 Hong Kong Open TV and i-CABLE have been providing more stable live streaming experience with high scalability. Channel 77 Hong Kong Open TV has also largely increased the video on demand content available online to more than 1,800 episodes of dramas, entertainment and informative programmes. Apart from professional news, finance and sports content, the Group has expanded digital content pillars to lifestyle and entertainment content on i-cable.com and social media.

With website revamp and content enrichment, the number of active users of hkopentv.com in June 2022 has a 110% increment while i-cable.com has also achieved a 37% increment in the number of active users comparing to December 2021.

The Group has launched a new mobile App for Hong Kong Open TV in June 2022 to facilitate mobile viewing experience. Mobile App "i-CABLE News — News & Lifestyle" (「有線新聞 — 新聞、財經及生活資訊平台」) has accumulated almost 800,000 downloads while "i-CABLE Mobile" containing subscribed content for pay subscribers has reached 1.4 million downloads as at 30 June 2022.

Due to the fifth wave of the COVID-19 and hence the stringent social distancing measures and the slowdown of economic activities, the demand for outdoor media has decreased. The continuation of cross border closures at Lo Wu and Lok Ma Chau stations also directly limited the passenger flow from China. However, the launch of the East Rail Line cross-harbour extension in May 2022 has brought convenience to passengers and reduced journey time, thus attracting people to travel by the Mass Transit Railway (the “MTR”) more frequently. As the exclusive commercial airtime sales distributor and content provider of the MTR In-train TV, the Group continued to provide instant local and international news, financial news, sports news, entertainment news and infotainment to passengers throughout the day. The Group is seeing signs of recovery from the increased patronage alongside the improving local epidemic situation, and the demand for advertising has on a rising trend starting from June 2022.

The competition in the paid content business in Hong Kong was intense and the customer base of the Pay TV subscription business contracted, leading to a decrease in revenue. In the first half of 2022, the revenue from the media segment decreased, as compared with the last corresponding period. The decrease was mainly caused by the reduction in the number of Pay TV subscribers as market conditions and consumer behavior changed, with the entry of new streaming services and various subscription platforms with diverse content range and attractive pricing.

Telecommunications

The Group currently owns and operates a territory-wide telecommunications network which covers over 2 million households in Hong Kong. In the first half of 2022, the revenue from the telecommunications business decreased as compared to that in the last corresponding period. The fierce competition in the broadband market presented immense price pressure on operators, while the business sentiment was worsened for fixed network carriers under the fifth wave of the COVID-19 and tightening of social distancing measures. However, with the agility of the team and tremendous effort in creating value-for-money campaigns and offers for our customers, the number of broadband customers remained stable during the first half of 2022.

One of the Group’s major sources of revenue was the various collaborations with China Mobile Hong Kong Company Limited including content provisions, network consultation and rollout, and mobile business.

The data centre industry has been booming in Hong Kong. Leveraging on its well-established network coverage and technology, the Group has expanded its services to cover the data centre connectivity business since 2021. The Group continued to expand the network coverage and core capacity to meet the new business requirement and prepare for future growth, through own investment and collaboration with other strategic business partners.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) REVIEW OF RESULTS

The business environment in the first half of 2022 was worsened by the COVID-19. Revenue of the Group for the six months ended 30 June 2022 decreased by approximately HK\$62 million or 13% to approximately HK\$431 million (for the six months ended 30 June 2021: approximately HK\$493 million).

Cost of services of the Group for the six months ended 30 June 2022, including programming costs, network expenses and cost of sales, decreased by approximately HK\$65 million to approximately HK\$448 million (for the six months ended 30 June 2021: approximately HK\$513 million). Due to the Group's cautious spending in programming, the respective costs decreased by approximately 19%. The cost of sales decreased by approximately 14% which was in line with the decrease in revenue during the period under review. On the other hand, the network expenses increased by approximately 2% as compared to the last corresponding period, while selling, general and administrative and other operating expenses of the Group decreased by approximately 2% as compared to the last corresponding period.

Loss from operations of the Group for the six months ended 30 June 2022 was approximately HK\$149 million, representing a decrease of approximately 3%, as compared with the loss from operations of approximately HK\$154 million for the corresponding period in 2021.

Finance costs of the Group for the six months ended 30 June 2022 increased by approximately HK\$3 million or 14% to approximately HK\$25 million (for the six months ended 30 June 2021: approximately HK\$22 million), of which approximately HK\$19 million (for the six months ended 30 June 2021: approximately HK\$16 million) was the total interest expenses on unlisted long-term convertible bonds issued in June 2019 (the "2019 LCS") and March 2021 (the "2021 LCS").

Net non-operating expenses of the Group amounted to approximately HK\$45 million for the six months ended 30 June 2022, while a net non-operating income of approximately HK\$4 million was recognised for the six months ended 30 June 2021. Net non-operating expenses of the Group for the six months ended 30 June 2022 was mainly represented the non-cash unrealised fair value loss on the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss in the amount of approximately HK\$40 million recorded during the period (for the six months ended 30 June 2021: unrealised fair value gain of approximately HK\$4 million).

After recognising the interest income, finance costs, net non-operating expenses and income tax, the Group recorded a net loss of approximately HK\$226 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$175 million). Basic and diluted loss per share for the six months ended 30 June 2022 were approximately HK3.2 cents (basic and diluted loss per share for the six months ended 30 June 2021: approximately HK2.5 cents).

(B) SEGMENTAL INFORMATION

The principal activities of the Group include media and telecommunications operations.

Media

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

Revenue derived from the media segment for the six months ended 30 June 2022 decreased by approximately 17% to approximately HK\$240 million (for the six months ended 30 June 2021: approximately HK\$289 million) on lower subscription revenue and advertising revenue.

Operating expenses before depreciation and amortisation of other intangible assets incurred by the media segment for the six months ended 30 June 2022 decreased by approximately 17% to approximately HK\$323 million (for the six months ended 30 June 2021: approximately HK\$387 million) mainly due to the decrease in programming costs. As disclosed in “Segment Information” in Note 7 to the condensed consolidated interim financial information of this interim results announcement, the loss before depreciation and amortisation of other intangible assets of the media segment for the six months ended 30 June 2022 decreased to approximately HK\$83 million (for the six months ended 30 June 2021: approximately HK\$98 million) which was mainly due to the net effect of the decrease in revenue and the decrease in programming costs.

Telecommunications

The telecommunications segment includes operations related to broadband internet access services, portal operation, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other related businesses.

Revenue derived from the telecommunications segment for the six months ended 30 June 2022 decreased by approximately 6% to approximately HK\$192 million (for the six months ended 30 June 2021: approximately HK\$204 million).

Operating expenses before depreciation and amortisation of other intangible assets incurred by the telecommunications segment for the six months ended 30 June 2022 decreased by approximately 2% to approximately HK\$121 million (for the six months ended 30 June 2021: approximately HK\$123 million). As disclosed in “Segment Information” in Note 7 to the condensed consolidated interim financial information of this interim results announcement, the profit before depreciation and amortisation of other intangible assets from the telecommunications segment for the six months ended 30 June 2022 decreased by approximately 12% to approximately HK\$71 million (for the six months ended 30 June 2021: approximately HK\$81 million), which was mainly due to the decrease in revenue.

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had cash and bank balances and restricted bank balances of approximately HK\$63 million and HK\$17 million respectively as compared to approximately HK\$70 million and HK\$11 million respectively as at 31 December 2021. The decrease in cash and bank balances was mainly due to the net cash used in operations and investing activities and offsetting with the net cash from financing activities. The cash and bank balances and restricted bank balances of the Group as at 30 June 2022 and 31 December 2021 were mainly denominated in Hong Kong Dollar (“HK\$”). The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total deficit/equity, was a negative of approximately 1,149% (as divided by total deficit) as at 30 June 2022 (31 December 2021: approximately 504% (as divided by total equity)). As at 30 June 2022, the Group recorded total assets of approximately HK\$1,380 million which were financed by liabilities of approximately HK\$1,460 million and deficit of approximately HK\$80 million. As at 31 December 2021, the Group recorded total assets of approximately HK\$1,486 million which were financed by liabilities of approximately HK\$1,340 million and equity of approximately HK\$146 million. The decrease in equity was attributable to loss for the period.

Consolidated net liability value of the Group as at 30 June 2022 was approximately HK\$80 million, while the Group recorded a consolidated net asset value of approximately HK\$146 million as at 31 December 2021.

The carrying amount of interest-bearing borrowings denominated in HK\$ as at 30 June 2022 was approximately HK\$461 million (31 December 2021: HK\$295 million), in which the bank loan carries interest at variable rates and was repayable on demand, and the loans from Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top) carry interest at fixed rates ranging from 2.5% to 3.0% per annum and with a term of 3 years from the date of the respective loan agreements. The committed borrowing facilities available to the Group but not drawn as at 30 June 2022 amounted to HK\$105 million (31 December 2021: HK\$105 million).

The 2019 LCS

On 4 June 2019, the issuance of the 2019 LCS with the principal amount of HK\$568 million by the Company to Forever Top, the controlling shareholder of the Company, was completed. The 2019 LCS would be convertible into 4,544,000,000 new ordinary shares of the Company upon full conversion of the 2019 LCS based on the initial conversion price of HK\$0.125 per conversion share and the coupon rate of the 2019 LCS is 2.0% per annum and payable quarterly. During the six months ended 30 June 2022, there had not been any conversion of the 2019 LCS. Details of the 2019 LCS were set out in the announcements of the Company dated 25 January 2019 and 4 June 2019 and the circular of the Company dated 8 April 2019 (the “2019 Circular”).

The carrying amount of the 2019 LCS denominated in HK\$ as at 30 June 2022 was approximately HK\$396 million (31 December 2021: approximately HK\$386 million). Details of the 2019 LCS were set out in “Convertible Bonds” in Note 15 to the condensed consolidated interim financial information in this interim results announcement.

The net proceeds raised from the issuance of the 2019 LCS have all been utilised as at 31 December 2020 according to the intended use of proceeds as disclosed in the 2019 Circular.

The 2021 LCS

On 31 March 2021, the issuance of the 2021 LCS with the principal amount of HK\$200 million by the Company to Forever Top was completed. The 2021 LCS would be convertible into 2,941,176,470 new ordinary shares of the Company upon full conversion of the 2021 LCS based on the initial conversion price of HK\$0.068 per conversion share and the coupon rate of the 2021 LCS is 2.0% per annum and payable quarterly. The Company may at any time on or after the date of issue of the 2021 LCS by giving not less than 10 business days’ written notice to the holder(s) of the 2021 LCS to redeem all or part of the 2021 LCS at the outstanding principal amount of the 2021 LCS together with all accrued but unpaid interest. During the six months ended 30 June 2022, there had not been any conversion or redemption of the 2021 LCS. Details of the 2021 LCS were set out in the announcements of the Company dated 27 January 2021 and 31 March 2021 and the circular of the Company dated 2 March 2021 (the “2021 Circular”).

The purpose for the issuance of the 2021 LCS is to ensure the Group has sufficient funds to operate and for business expansion including the enhancement of the network infrastructure, the acquisition of programmes and programmes production in order to recapitalise the business to allow sufficient time for the restructuring initiatives to be fully implemented.

The carrying amount of the 2021 LCS denominated in HK\$ as at 30 June 2022 was approximately HK\$138 million (31 December 2021: approximately HK\$136 million). Details of the 2021 LCS were set out in “Convertible Bonds” in Note 15 to the condensed consolidated interim financial information in this interim results announcement.

The Group takes a centralised approach to the Group’s funding and treasury management as well as optimisation of the funding cost-efficiency. The management (i) maintains a balanced debt and capital financing structure; (ii) ensures secure and optimum return on the investment of surplus funds within an agreed risk profile; (iii) oversees the treasury-related financial risks, including but not limited to interest rate risk, currency risk, liquidity risk and credit risk; (iv) strives to diversify source of funding and maintain a balanced maturity profile; and (v) maintains an appropriate control environment to protect the financial return under the fluidity financial market conditions.

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 30 June 2022, capital expenditure on property, plant and equipment amounted to approximately HK\$49 million (for the six months ended 30 June 2021: approximately HK\$53 million), the additions to right-of-use assets was approximately HK\$1 million (for the six months ended 30 June 2021: approximately HK\$2 million) and the additions to programming library was approximately HK\$24 million (for the six months ended 30 June 2021: approximately HK\$23 million).

The Group financed its operations generally with internally generated cash flows, the available credit facilities and the net proceeds raised from the issuance of the 2021 LCS.

(D) CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any contingent liabilities.

(E) GUARANTEES

As at 30 June 2022, a corporate guarantee had been provided by the Company to a bank of HK\$400 million (31 December 2021: HK\$400 million) in respect of the facility of borrowing up to HK\$400 million (31 December 2021: HK\$400 million) to a wholly-owned subsidiary of the Company, of which HK\$295 million (31 December 2021: HK\$295 million) was utilised by the subsidiary of the Company.

As at 30 June 2022, the Group had made arrangements with a bank to provide two separate performance bonds to counterparties amounting to approximately HK\$40 million (31 December 2021: approximately HK\$34 million), of which approximately HK\$10 million (31 December 2021: approximately HK\$4 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 requirements as set out in the license issued by a regulatory body.

(F) HUMAN RESOURCES

The Group had 1,150 employees as at 30 June 2022 (30 June 2021: 1,187). Total gross salaries and related costs before capitalisation and incurred for the six months ended 30 June 2022 amounted to approximately HK\$171 million (for the six months ended 30 June 2021: approximately HK\$206 million). The remuneration of the directors of the Company (the "Directors") and the employees of the Group is 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. Pursuant to the share option scheme of the Company adopted on 24 May 2018 (the "Share Option Scheme"), share options of the Company (the "Share Options") may be granted to the Directors and eligible employees of the Group to subscribe for ordinary share(s) of the Company (the "Share(s)").

(G) OPERATING ENVIRONMENT

In view of the intensifying competition among various multimedia platforms, the Group's media business remained tough in the first half of 2022.

The fifth wave of the COVID-19 and keen business competition in the market has negative impact on the Group's advertising revenue as well as continued to contract the subscription customer base of Pay TV service, and the subscription average revenue per user was affected.

For broadband services, despite a saturated market with price war triggered by the incumbents and the outbreak of the fifth wave of the COVID-19, the number of subscribers remained stable as at 30 June 2022 as compared to that as at 30 June 2021. This stable performance was mainly due to the timely adoption of effective sales and marketing strategies, recognition from the market for the Group's quality of network services, as well as the continuous expansion of the network coverage and upgrade of the Group's network to provide high speed Gigabit-capable Passive Optical Network ("GPON") services.

(H) CHARGE ON GROUP ASSETS

As at 30 June 2022, restricted bank balances of approximately HK\$17 million (31 December 2021: approximately HK\$11 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 subsidiaries, associated companies and joint ventures 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 six months ended 30 June 2022.

(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 will be beneficial to its growth and development, enhance its 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 and the available credit facilities.

(K) OUTLOOK

The Group has been focusing on formulating and implementing an organisational restructuring which included, among other things, (i) identifying cost-saving initiatives through automation and process re-engineering; (ii) promoting more locally-produced high-quality content and introducing new overseas contents and channels; (iii) exploring new television content cooperation models for free television (“Free TV”) and other digital media platforms in view of the increasing competition from alternative media platforms; and (iv) performing strategic reviews on possible optimisation of the structure of the Group to enhance business performance and management efficiency, to promote synergies, and to improve cost efficiency and profitability, and on the financial performance of the Group. As part of a strategic review, the Group has been and will continue to prudently evaluate any possibilities and opportunities of potential partnerships, as well as any opportunities for disposing of any loss-making operations.

Despite the fact that the Group will continue to face intense market competition, it is confident that the Group will be able to ride on the post-COVID-19 rebound and deliver more value to its stakeholders given its advantage as one of the major service providers in information and communications technology in Hong Kong with wide customer reach, competitive service offerings, valuable business partnerships and a capable and experienced management team.

By the end of 2022, the Group is expected to increase the TV spectrum coverage to 99%, and launch a new Free TV channel, Channel 78, with high-quality programmes, in order to better reach and retain a larger population of television audience via spectrum. Together with the innovative content and integrated marketing solutions service, the Group expects to capture more business opportunities to further expand the Group's revenue streams.

The proliferation of online content (many of which are offered free of charge) provides an abundance of choices to users, changes users' viewing behavior and poses extra threat to the Group's Pay TV subscription and Free TV business. However, the Group believes that local infotainment content is still creating value and relevance to its viewers. The Group will pursue and promote the importance of "Narrating Hong Kong's story" (說好香港故事), aiming to bring positive impact to Hong Kong people. To achieve these purposes, the Group has been devoting and will continue to devote resources to promoting high-quality and diversified programmes for audience in the territory and to improving the video streaming services on digital platforms for viewers. To enhance the Group's competitiveness, the Group will continue to explore the opportunities to acquire more content to capture and engage more customers as well as opportunities to invest in streaming technologies and other digital and new media platforms to meet the changing preferences and habits of viewers. In the second half of 2022, the Group will expand digital content pillars to cover more lifestyle topics on top of hard news, such as social hot issues, entertainment and celebrity news, local fun and travel tips, to enrich digital content and provide more down-to-earth information to audience.

Under the current epidemic situation in Hong Kong where social distancing is still being strictly observed, demand for connectivity and data transmission by both individuals and businesses will continue to surge in the foreseeable future. With the increase in demand for connectivity anytime anywhere, the Group will expand its products and services. As a territory-wide telecommunications network provider which covers over 2 million households in Hong Kong, the Group will continue to expand its core network of fibre coverage and increase its core network capacity to cater for both residential and commercial markets in order to drive for business growth. The GPON enabling fibre to the home high-speed internet services will continue to be the Group's anchor product. The Group will continue to explore opportunities in maximising the value of the core fibre and communication network of the Group.

The Group will continue to enrich its content through bringing in more quality, value, and global infotainment choices. It will also establish strategic partnerships with outstanding industry players to create and curate unique value propositions and service offerings for both existing and new customers. By getting more partners to team up with the Group, it will be able to bring to its customers a wider range of quality services, its partners an efficient channel to market and the Group a more vibrant ecosystem, enabling all parties to benefit.

To retain and attract more audience, the Group will continue to invest in local programmes including travel & food, health, documentary, infotainment, as well as to acquire locally produced TV drama and overseas content. To cater for the taste of local viewers, the Group has spent months on producing “Before and After Home Renovations” (香港空間改造王) and the first reality talent show “YOUNIVERSE” (就是青春), which is expected to be launched in the second half of 2022. Via “YOUNIVERSE”, the Group hopes to cultivate next generation of talents.

With the increase in the spectrum coverage in the second half of 2022, the upcoming high-quality programmes will be broadcast to a wider range of viewers. Together with the addition of the new channel, Channel 78 by the end of 2022, the Group is expecting a growth of number of audience, which may make them drivers for new product and business development.

As the exclusive commercial airtime sales distributor and content provider for the MTR In-train TV, the Group expects that the full opening of the East Rail Line cross-harbour extension will further enhance business opportunities in the MTR In-train TV platform in 2022, due to the growth in number of passengers. The commencement of 2022 (Phase II) Consumption Voucher Scheme will create positive impact on retail sectors as well as the Group’s potential revenue from advertisers. The Group will continue to polish its sales and marketing strategies by adopting creative selling strategy of content sponsorship and integrated marketing solutions to diversify the product portfolio.

Meanwhile, the Greater Bay Area (“GBA”) represents an extraordinary opportunity for the Group to shape and expand its business by collaborating with major media and operators within the region. With the growing business and job opportunities in the GBA, and also the expected reopening of the border between Hong Kong and mainland China, the Group will continue to explore and capture massive opportunities whereby it can leverage its competitive advantages and increase its exposure in the GBA.

Looking ahead, the Group will rise to the challenge as Hong Kong is on the path to recovery from the COVID-19. The Group will continue to pay close attention to and proactively respond to the development of the COVID-19 and its impact to the Group and the market. The Group will pursue its plan to deliver high speed broadband services through network upgrades, and continue to explore new business opportunities. Simultaneously, the Group will diligently monitor and review its spending on programming library, content enrichment, and new media development.

(L) EVENTS AFTER THE REPORTING PERIOD

In August 2022, Hong Kong Cable Television Limited (“HKC”, a wholly-owned subsidiary of the Company), as the borrower, entered into a loan agreement with Celestial Pioneer Limited as the lender, pursuant to which, the borrower obtained an unsecured loan with a principal amount of HK\$80 million for a term of 3 years from the date of the loan agreement, with an interest rate of 3.0% per annum.

Save as disclosed above, the Group does not have any material events affecting the Group’s financial performance and/or financial position significantly that have occurred since 30 June 2022 and up to the date of this interim results announcement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenue	6, 7	431,430	493,483
Cost of services			
— Programming costs		(239,779)	(297,541)
— Network expenses		(149,459)	(146,562)
— Cost of sales		(59,182)	(68,583)
Selling, general and administrative and other operating expenses		<u>(131,638)</u>	<u>(134,858)</u>
Loss from operations		(148,628)	(154,061)
Interest income		658	378
Finance costs		(25,065)	(21,952)
Non-operating (expenses)/income, net		<u>(45,125)</u>	<u>4,123</u>
Loss before taxation	8	(218,160)	(171,512)
Income tax	9	<u>(7,714)</u>	<u>(3,704)</u>
Loss for the period		<u>(225,874)</u>	<u>(175,216)</u>
Attributable to:			
Equity shareholders of the Company		<u>(225,874)</u>	<u>(175,216)</u>
Loss per share	10		
Basic		<u>(3.2) HK cents</u>	<u>(2.5) HK cents</u>
Diluted		<u>(3.2) HK cents</u>	<u>(2.5) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022 – unaudited

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(225,874)	(175,216)
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation difference	<u>73</u>	<u>(40)</u>
Total comprehensive income for the period	<u>(225,801)</u>	<u>(175,256)</u>
Attributable to:		
Equity shareholders of the Company	<u>(225,801)</u>	<u>(175,256)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited	Audited
		30 June	31 December
		2022	2021
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		614,892	650,140
Right-of-use assets		54,150	74,231
Programming library		67,709	67,991
Other intangible assets		9,831	11,863
Contract acquisition costs		5,650	5,383
Deferred tax assets	11	281,876	289,501
Deposits, prepayments and other receivables		43,236	35,996
		1,077,344	1,135,105
		1,077,344	1,135,105
Current assets			
Inventories		5,627	6,863
Trade receivables and contract assets	12	96,091	108,031
Deposits, prepayments and other receivables		61,417	48,207
Contract acquisition costs		9,523	10,938
Financial assets at fair value through profit or loss		50,564	95,736
Restricted bank balances		16,550	10,550
Cash and bank balances		62,596	70,162
		302,368	350,487
		302,368	350,487
Total assets		1,379,712	1,485,592

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves			
Share capital	14	7,928,975	7,928,975
Reserves		<u>(8,008,687)</u>	<u>(7,782,886)</u>
Total (deficit)/equity		<u>(79,712)</u>	<u>146,089</u>
LIABILITIES			
Non-current liabilities			
Convertible bonds	15	533,609	521,929
Interest-bearing borrowings	16	166,035	–
Lease liabilities		18,074	36,192
Other non-current liabilities		<u>21,373</u>	<u>21,373</u>
		<u>739,091</u>	<u>579,494</u>
Current liabilities			
Trade payables	13	32,487	57,613
Accrued expenses and other payables		234,259	253,172
Receipts in advance and customers' deposits		121,739	115,213
Interest-bearing borrowings	16	295,000	295,000
Lease liabilities		36,788	38,930
Current tax liabilities		<u>60</u>	<u>81</u>
		<u>720,333</u>	<u>760,009</u>
Total liabilities		<u>1,459,424</u>	<u>1,339,503</u>
Total equity and liabilities		<u>1,379,712</u>	<u>1,485,592</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL

i-CABLE Communications Limited is a limited liability company incorporated in Hong Kong. The address of its registered office in Hong Kong is 7th 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 Group is engaged in television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, theatrical release, other television related businesses, broadband internet access services, portal operation, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other internet access related businesses.

The condensed consolidated interim financial information for the six months ended 30 June 2022 (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 (the “Board”) of Directors of the Company on 26 August 2022.

The financial information relating to the year ended 31 December 2021 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 31 December 2021 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 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

During the six-months ended 30 June 2022, the Group incurred a net loss of HK\$226 million (2021: HK\$175 million) and as at 30 June 2022, the Group's current liabilities exceeded its current assets by HK\$418 million (31 December 2021: HK\$410 million) and total deficit amounted to HK\$80 million (31 December 2021: total equity of HK\$146 million). Included in its current liabilities was an interest-bearing borrowing of HK\$295 million drawn from a banking facility of HK\$400 million which is immediately repayable on demand and subject to review at any time from the date of this interim results announcement. Besides the banking facility, the Group has received financing from time to time from Forever Top, a substantial shareholder holding 43.2% shareholding of the Company, through rights issue and issue of the 2019 LCS and the 2021 LCS to improve the Group's liquidity. During the six months ended 30 June 2022, the controlling shareholder of Forever Top advanced unsecured 3-year interest-bearing loans of an aggregate amount of HK\$170 million to 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 30 June 2022. 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 Group's banking facility was last renewed in mid-March 2019. As the facility is subject to review at any time from the date of this interim results announcement, the Directors expect the revolving bank loan facility will be successfully renewed such that the outstanding loan balance of HK\$295 million will be rolled over with substantially the same terms as the current facility, which also include the bank's overriding right to demand repayment.
2. There have been continuing progress and achievements of the organisational restructuring which include cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio.
3. In August 2022, the controlling shareholder of Forever Top advanced an unsecured 3-year interest-bearing loan of HK\$80 million to the Group.
4. Forever Top has also confirmed its intention to provide further financial support, from time to time as and when is necessary to the Group in the next twelve months from 30 June 2022. Taking into account the fact that (i) Forever Top has provided continuous financial support to the Group since it became the largest shareholder of the Company in September 2017; and (ii) based on the back to back financial support by Forever Top's beneficial shareholders and having made all necessary enquiries, nothing came to the attention of the Directors to cause them to believe that Forever Top is unable to provide financial support as and when is required by the Group in the next twelve months from 30 June 2022.

Based on the cash flow projections and taking into account reasonably possible downside changes to the cash flow assumptions in the cash flow projections for the period ending 30 June 2023, the continuous availability of existing banking facility, and from time to time as and when is necessary, the financial support from Forever Top, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2022. Accordingly, the Directors consider it is appropriate to prepare the Interim Financial Information on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of this condensed financial information are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of the amendments to standards effective for the financial year ending 31 December 2022.

(a) Amendments to standards and accounting guideline effective in current accounting period and are relevant to the Group's operations

During the period ended 30 June 2022, the Group has adopted the following amendments to standards and accounting guideline which are relevant to the Group's operations and are mandatory for accounting period beginning on 1 January 2022:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements	Annual Improvement to HKFRSs 2018–2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of these amendments to standards and accounting guideline does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

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

The following new standard, amendments to standards, HKFRS Practice Statement and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2023 but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of Accounting Estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽¹⁾
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 January 2023

⁽²⁾ Effective date is to be determined

The Group does not expect that these new standard, amendments to standards, HKFRS Practice Statement and interpretation would have any material impact on its results and financial position.

4 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 31 December 2021.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF 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 31 December 2021.

There have been no changes in the risk management policies since 31 December 2021.

(b) Liquidity risk

Compared to the year ended 31 December 2021, there was no other material change in the contractual undiscounted cash outflows for financial liabilities, except for the contractual cash outflows for the loans from Celestial Pioneer Limited of approximately HK\$166,035,000 with a term of 3 years from the date of the respective loan agreements and interest thereon (Note 16(b)).

(c) Price risk

The Group is exposed to price risk through its investments and redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

At 30 June 2022, if the price of the Group's investments recognised as financial assets at fair value through profit or loss had been 1% higher/lower with all other variables held constant, the loss for the period would have decreased/increased by approximately HK\$35,000 (31 December 2021: approximately HK\$87,000).

Based on the share price of the Company as at 30 June 2022, if the share price of the Company had been HK\$0.01 higher/lower with all other variables held constant, the fair value of the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss would have increased by approximately HK\$11,661,000 and decreased by approximately HK\$9,363,000 respectively (31 December 2021: decreased by approximately HK\$3,780,000 and approximately HK\$21,236,000 respectively) and the loss for the period would have decreased by approximately HK\$11,661,000 and increased by approximately HK\$9,363,000 respectively (31 December 2021: increased by approximately HK\$3,780,000 and approximately HK\$21,236,000 respectively).

(d) **Fair values of financial instruments**

Financial instruments carried at fair value are measured by different valuation methods. The inputs to valuation methods are categorised into three levels within a fair value hierarchy, as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Group's assets that are measured at fair value at the end of the reporting period on a recurring basis:

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2022 (unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Listed debt securities	3,498	—	—	3,498
— Redemption option of long-term convertible bonds	—	—	47,066	47,066
	<u>3,498</u>	<u>—</u>	<u>47,066</u>	<u>50,564</u>
At 31 December 2021 (audited)				
Assets				
Financial assets at fair value through profit or loss				
— Listed debt securities	8,731	—	—	8,731
— Redemption option of long-term convertible bonds	—	—	87,005	87,005
	<u>8,731</u>	<u>—</u>	<u>87,005</u>	<u>95,736</u>

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2021: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following table presents the changes in Level 3 financial instrument for the six months ended 30 June 2022 and 2021:

	Unaudited	
	six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Redemption option:		
At the beginning of the period	87,005	–
Inception of redemption option of long-term convertible bonds	–	78,061
Unrealised fair value change recognised in non-operating (expenses)/income, net	(39,939)	4,477
	<u>47,066</u>	<u>82,538</u>
At the end of the period	47,066	82,538

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

	Fair value as at		Unobservable inputs	Range of unobservable inputs as at		Relationship of unobservable inputs to fair value
	30 June	31 December		30 June	31 December	
	2022	2021		2022	2021	
	(unaudited)	(audited)				
	<i>HK\$'000</i>	<i>HK\$'000</i>				
Redemption option of long-term convertible bonds	47,066	87,005	Discount rate	9.13%	6.88%	The higher the discount rate, the lower the fair value of the redemption option of long-term convertible bonds

The main Level 3 input used by the Group in measuring the fair value of financial instrument is derived and evaluated as follows:

Discount rate was determined with reference to the risk free rate, credit spread of comparable bonds and liquidity spread in the market.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

6 REVENUE

Revenue comprises principally subscription, service and related fees for television, broadband internet access and 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 leasing income, network construction income, mobile service income, mobile agency service income and other telecommunications income.

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 Directors and senior management of the Company, has determined two reportable operating segments for measuring performance and allocating resources. The segments are media and telecommunications.

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

The telecommunications segment includes operations related to broadband internet access services, portal operation, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other related businesses.

The CODM evaluates performance primarily based on segment results before depreciation of property, plant and equipment and right-of-use assets, amortisation of other intangible assets, corporate expenses, corporate depreciation of property, plant and equipment, interest income, finance costs, non-operating (expenses)/income, net and income tax, but after amortisation of programming library and amortisation of contract acquisition costs. Besides, the CODM also evaluates performance based on segment results before corporate expenses, corporate depreciation of property, plant and equipment, interest income, finance costs, non-operating (expenses)/income, net and income tax, but after amortisation of programming library, amortisation of contract acquisition costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets.

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

Segment assets principally comprise all assets, 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 corporate office.

Besides, the CODM is also 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 30 June 2022 and 2021 is set out below:

	Unaudited six months ended 30 June					
	Media		Telecommunications		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Reportable segment revenue	239,871	289,322	191,663	204,265	431,534	493,587
Less: Inter-segment revenue	–	–	(104)	(104)	(104)	(104)
Revenue from external customers	<u>239,871</u>	<u>289,322</u>	<u>191,559</u>	<u>204,161</u>	<u>431,430</u>	<u>493,483</u>
Revenue from contracts with customers:						
Timing of revenue recognition:						
At a point in time	8,949	9,459	17,155	22,610	26,104	32,069
Over time	206,609	252,558	174,205	181,349	380,814	433,907
Revenue from other sources:						
Rental income	24,313	27,305	199	202	24,512	27,507
	<u>239,871</u>	<u>289,322</u>	<u>191,559</u>	<u>204,161</u>	<u>431,430</u>	<u>493,483</u>
Reportable segment (loss)/profit before depreciation and amortisation of other intangible assets	(82,629)	(98,318)	70,706	80,746	(11,923)	(17,572)
Depreciation	(54,419)	(59,958)	(44,052)	(44,330)	(98,471)	(104,288)
Amortisation of other intangible assets	(2,015)	(2,016)	(17)	–	(2,032)	(2,016)
Reportable segment results before corporate expenses and corporate depreciation	<u>(139,063)</u>	<u>(160,292)</u>	<u>26,637</u>	<u>36,416</u>	<u>(112,426)</u>	<u>(123,876)</u>
Corporate expenses					(29,710)	(25,613)
Corporate depreciation					(6,492)	(4,572)
Loss from operations					(148,628)	(154,061)
Interest income					658	378
Finance costs					(25,065)	(21,952)
Non-operating (expenses)/ income, net					(45,125)	4,123
Income tax					(7,714)	(3,704)
Loss for the period					<u>(225,874)</u>	<u>(175,216)</u>

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 <i>HK\$'000</i>
Segment assets		
Media	612,110	662,928
Telecommunications	449,183	498,568
	1,061,293	1,161,496
Corporate assets	36,543	34,595
Deferred tax assets	281,876	289,501
Total assets	1,379,712	1,485,592
Segment liabilities		
Media	839,783	786,459
Telecommunications	604,082	537,681
	1,443,865	1,324,140
Corporate liabilities	15,499	15,282
Current tax liabilities	60	81
Total liabilities	1,459,424	1,339,503

During the six months ended 30 June 2022, there were additions of approximately HK\$49,387,000 (2021: approximately HK\$53,356,000) to property, plant and equipment, approximately HK\$681,000 (2021: approximately HK\$1,887,000) to right-of-use assets and approximately HK\$24,413,000 (2021: approximately HK\$23,048,000) 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, segment assets and segment liabilities are derived from activities conducted outside Hong Kong.

Information about major customer:

Revenue of approximately HK\$55,148,000 (2021: approximately HK\$54,001,000) were derived from a single external customer during the six months ended 30 June 2022, of which approximately HK\$54,148,000 (2021: approximately HK\$53,001,000) and approximately HK\$1,000,000 (2021: approximately HK\$1,000,000) were attributed to the telecommunications segment and the media segment, respectively.

8 LOSS BEFORE TAXATION

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

	Unaudited	
	six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Finance costs		
— Interest expenses on borrowings	3,737	2,502
— Interest expenses on lease liabilities	1,979	3,075
— Interest expenses on convertible bonds	19,349	16,375
Other items		
Depreciation		
— assets held for use under operating leases	9,755	12,126
— other assets	74,446	76,190
— right-of-use assets	20,762	20,544
	<u>104,963</u>	<u>108,860</u>
Amortisation		
— programming library*	24,694	28,894
— contract acquisition costs	6,916	8,798
— other intangible assets	2,032	2,016
Non-operating expenses/(income), net		
— net (gain)/loss on disposal of plant and equipment	(47)	80
— net fair value losses/(gains) on financial assets at fair value through profit or loss	45,172	(4,124)
— loss on redemptions of financial assets at fair value through profit or loss	—	70
— gain on modification of lease contracts	—	(149)
	<u>—</u>	<u>(149)</u>

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

9 INCOME TAX

Hong Kong and other jurisdictions profits tax has been provided at the rate of 16.5% (2021: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

	Unaudited	
	six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax	89	222
Deferred income taxation	7,625	3,482
	7,714	3,704

10 LOSS PER SHARE

(a) Basic 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\$225,874,000 (2021: approximately HK\$175,216,000) and the weighted average number of 7,134,623,520 ordinary Shares (2021: 7,134,623,520 Shares) in issue during the period.

(b) Diluted loss per share

The diluted loss per Share for the six months ended 30 June 2022 and 2021 equals to the basic loss per Share since the exercise of the outstanding Share Options granted under the Share Option Scheme and conversion rights attached to the unlisted long-term convertible bonds would not have a dilutive effect on the loss per Share.

11 DEFERRED TAX ASSETS

As at 30 June 2022, the Group had recognised net deferred tax assets in respect of the future benefit of unutilised tax losses which can be carried forward indefinitely without expiry date of approximately HK\$281,876,000 (31 December 2021: approximately HK\$289,501,000), being the net balance of deferred tax assets arising from tax losses of approximately HK\$327,531,000 (31 December 2021: approximately HK\$336,370,000) and deferred tax liabilities arising from depreciation allowances in excess of the related depreciation of approximately HK\$45,655,000 (31 December 2021: approximately HK\$46,869,000). The deferred tax assets recognised as at 30 June 2022 was determined after considering the estimated future taxable profits and the timing of utilisation of the tax losses in the relevant subsidiary of the Company. The subsidiary has a history of recent losses in preceding periods. The estimated future taxable profits of the relevant subsidiary of the Company take into account the expected growth of the business due to the operating environment, business strategies, business development, approved business plans, the effect of the tax planning as well as the trend of the performance of the relevant subsidiary of the Company. Deferred tax assets were recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

12 TRADE RECEIVABLES AND CONTRACT ASSETS

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Trade receivables	80,500	81,478
Contract assets	15,591	26,553
	96,091	108,031

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

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
0 to 30 days	50,352	42,313
31 to 60 days	4,224	12,963
61 to 90 days	8,592	9,639
Over 90 days	17,332	16,563
	80,500	81,478

The Group has a defined credit policy. The general credit terms allowed range from 0 to 15 days in respect of television, broadband, telephony and mobile service subscription and from 0 to 30 days in respect of advertising, network leasing and network construction services.

13 TRADE PAYABLES

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 <i>HK\$'000</i>
0 to 30 days	5,789	8,694
31 to 60 days	7,136	10,266
61 to 90 days	8,198	8,633
Over 90 days	11,364	30,020
	<u>32,487</u>	<u>57,613</u>

14 SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid: At 1 January 2021, 30 June 2021 (unaudited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>7,134,623,520</u>	<u>7,928,975</u>

(i) Share option scheme

The Share Option Scheme was adopted by the Company on 24 May 2018 which will be valid and effective for a period of ten years from the date of adoption.

On 15 June 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, 15 June 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.

No Share Option was exercised during the six months ended 30 June 2022 and 2021. During the six months ended 30 June 2022, Share Option carrying the rights to subscribe 241,562,240 Shares was lapsed (2021: Nil). As at 30 June 2022, there were no outstanding exercisable Share Options carrying the rights to subscribe Shares (31 December 2021: 241,562,240 Shares).

(ii) Rights issue

On 25 January 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 4 June 2019, the Company completed the Rights Issue of 928,603,364 Shares for gross proceeds of approximately HK\$92,860,000 (net proceeds of approximately HK\$84,503,000).

15 CONVERTIBLE BONDS

(i) The 2019 LCS

On 25 January 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 2019 LCS. On 4 June 2019, the issuance of the 2019 LCS with the principal amount of HK\$568,000,000 to Forever Top was completed. The 2019 LCS would be convertible into 4,544,000,000 new ordinary Shares upon full conversion of the 2019 LCS based on the initial conversion price of HK\$0.125 per conversion share. The initial 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 25 January 2019, being the date on which the terms of the 2019 LCS were fixed. The coupon rate of the 2019 LCS is 2.0% per annum and payable quarterly. The 2019 LCS is convertible into ordinary Shares at any time during the period from the date of the issue of the 2019 LCS up to the close of business on the maturity date, subject to the conversion restrictions. The maturity date of the 2019 LCS is the end of the tenth year from date of the issue of the 2019 LCS and all of the remaining outstanding 2019 LCS will be redeemed by the Company at 100% of the outstanding principal amount of the 2019 LCS together with any interest accrued but unpaid thereon.

On the date of issuance of the 2019 LCS, the fair value of liability component of approximately HK\$343,719,000 was recognised and the fair value of approximately HK\$224,281,000, 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. As at 30 June 2022, the carrying amount of liability component of the 2019 LCS is approximately HK\$395,527,000 (31 December 2021: approximately HK\$386,387,000).

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

(ii) **The 2021 LCS**

On 27 January 2021, 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 2021 LCS. On 31 March 2021, the issuance of the 2021 LCS with the principal amount of HK\$200,000,000 with a maturity of 10 years by the Company to Forever Top was completed. The 2021 LCS would be convertible into 2,941,176,470 new ordinary Shares upon full conversion of the 2021 LCS based on the initial conversion price of HK\$0.068 per conversion share and the coupon rate of the 2021 LCS is 2.0% per annum and payable quarterly. The Company may at any time on or after the date of issue of the 2021 LCS by giving not less than 10 business days' written notice to the holder(s) of the 2021 LCS to redeem all or part of the 2021 LCS at the outstanding principal amount of the 2021 LCS together with all accrued but unpaid interest.

On the date of issuance of the 2021 LCS, the fair value of liability component of approximately HK\$131,806,000 was recognised, the fair value of approximately HK\$144,610,000, representing equity element, was recognised and presented in equity heading "equity component of convertible bonds" and the fair value of the redemption option of approximately HK\$78,061,000 was recognised as financial assets at fair value through profit or loss at initial recognition. The effective interest rate of the liability component was 6.88% per annum. As at 30 June 2022, the carrying amount of liability component and redemption option of the 2021 LCS is approximately HK\$138,082,000 (31 December 2021: approximately HK\$135,542,000) and approximately HK\$47,066,000 (31 December 2021: approximately HK\$87,005,000) respectively.

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

16 INTEREST-BEARING BORROWINGS

	Unaudited 30 June 2022			Audited 31 December 2021		
	Current HK\$'000	Non- current HK\$'000	Total HK\$'000	Current HK\$'000	Non- current HK\$'000	Total HK\$'000
Bank loan (<i>Note (a)</i>)	295,000	–	295,000	295,000	–	295,000
Loans from Celestial Pioneer Limited (<i>Note (b)</i>)	–	166,035	166,035	–	–	–
Total borrowings	<u>295,000</u>	<u>166,035</u>	<u>461,035</u>	<u>295,000</u>	<u>–</u>	<u>295,000</u>

Notes:

- (a) The carrying amount of bank loan denominated in Hong Kong dollar as at 30 June 2022 was HK\$295,000,000 (31 December 2021: HK\$295,000,000), which is unsecured, carries interest at variable rates and repayable on demand.
- (b) The carrying amount of the loans from Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top) denominated in Hong Kong dollar as at 30 June 2022 was approximately HK\$166,035,000 (31 December 2021: HK\$Nil), which are unsecured, carry interest at fixed rates ranging from 2.5% to 3.0% per annum and with a term of 3 years from the date of the respective loan agreements.

The maturity of interest-bearing borrowings is as follows:

	Bank loan		Loans from Celestial Pioneer Limited		Total	
	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Within 1 year or on demand	295,000	295,000	–	–	295,000	295,000
After 1 year but within 5 years	–	–	166,035	–	166,035	–
	<u>295,000</u>	<u>295,000</u>	<u>166,035</u>	<u>–</u>	<u>461,035</u>	<u>295,000</u>

17 DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: HK\$Nil).

18 CAPITAL COMMITMENTS

Capital commitments outstanding are as follows:

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Property, plant and equipment		
— Contracted but not provided for	7,616	5,335
Programming library		
— Contracted but not provided for	11,237	16,214
	<u>18,853</u>	<u>21,549</u>

19 GUARANTEES

As at 30 June 2022, a corporate guarantee had been provided by the Company to a bank of HK\$400,000,000 (31 December 2021: HK\$400,000,000) in respect of the facility of borrowing up to HK\$400,000,000 (31 December 2021: HK\$400,000,000) to a wholly-owned subsidiary of the Company, of which HK\$295,000,000 (31 December 2021: HK\$295,000,000) was utilised by the subsidiary of the Company.

As at 30 June 2022, the Group had made arrangements with a bank to provide two separate performance bonds to the counterparties amounting to HK\$39,830,000 (31 December 2021: HK\$33,830,000), of which HK\$9,830,000 (31 December 2021: HK\$3,830,000) was secured by bank deposit. The performance bonds are to guarantee in favour of the counterparties the Group's performance in fulfilling the obligations under a contract and the requirements as set out in the license issued by a regulatory body.

20 EVENTS AFTER THE REPORTING PERIOD

In August 2022, HKC (a wholly-owned subsidiary of the Company), as the borrower, entered into a loan agreement with Celestial Pioneer Limited as the lender, pursuant to which, the borrower obtained an unsecured loan with a principal amount of HK\$80 million for a term of 3 years from the date of the loan agreement, with an interest rate of 3.0% per annum.

CORPORATE GOVERNANCE PRACTICES

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 six months ended 30 June 2022, 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 deviations:

Code Provision C.1.6 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. Also, Code Provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Dr. Cheng Kar-Shun, Henry (the chairman of the Board and a non-executive Director) , Tan Sri Dato' David Chiu (a vice-chairman of the Board and a non-executive Director) and Mr. Andrew Wah Wai Chiu (a non-executive Director) were unable to attend the annual general meeting of the Company held on 14 June 2022 ("2022 AGM") as each of Dr. Cheng Kar-Shun, Henry and Tan Sri Dato' David Chiu had other engagements at the time of such meeting and Mr. Andrew Wah Wai Chiu was out of town for other engagement. In the absence of the chairman of the Board, Mr. Tsang On Yip, Patrick, a vice-chairman of the Board and an executive Director, acted as the chairman of the 2022 AGM to ensure an effective communication with the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 to 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 30 June 2022.

The Company has also applied the principles of the Model Code to the employees of the Group.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has set up an audit committee (the “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 30 June 2022 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 30 June 2022 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 does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 30 June 2022.

By order of the Board
i-CABLE Communications Limited
Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 26 August 2022

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