有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

2018
Interim Report

CONTENTS

The English text of this interim report shall prevail over the Chinese text in case of inconsistencies or discrepancies.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Tan Sri Dato' David CHIU *(Chairman)*
Dr. CHENG Kar-Shun, Henry *GBM, GBS* *(Vice-chairman)*
Dr. CHENG Chi-Kong, Adrian *JP*
Mr. TSANG On Yip, Patrick
Mr. HOONG Cheong Thard

Executive Director

Mr. Andrew Wah Wai CHIU

Independent Non-executive Directors

Mr. LAM Kin-Fung, Jeffrey *GBS, JP*
Mr. HU Shao Ming Herman *SBS, JP*
Mr. LUK Koon Hoo, Roger *BBS, JP*
Mr. TANG Sing Ming Sherman

AUDIT COMMITTEE

Mr. LUK Koon Hoo, Roger *(Chairman)*
Mr. HOONG Cheong Thard
Mr. TANG Sing Ming Sherman

NOMINATION COMMITTEE

Tan Sri Dato' David CHIU *(Chairman)*
Mr. LAM Kin-Fung, Jeffrey
Mr. LUK Koon Hoo, Roger

COMPENSATION COMMITTEE

Mr. LAM Kin-Fung, Jeffrey *(Chairman)*
Tan Sri Dato' David CHIU
Mr. TSANG On Yip, Patrick
Mr. HU Shao Ming Herman
Mr. LUK Koon Hoo, Roger

AUTHORISED REPRESENTATIVES

Mr. Andrew Wah Wai CHIU
Mr. KWOK Chi Kin

COMPANY SECRETARY

Mr. KWOK Chi Kin

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

REGISTERED OFFICE

8th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountants

CORPORATE WEBSITE

www.i-cablecomm.com

STOCK CODE

01097

HIGHLIGHTS

- 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, 2018 was affected by the decline of advertising and subscription revenues.

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

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

- Television ("TV") segment EBITDA(Note 1) increased from a loss of approximately HK$123 million for the corresponding period in 2017 to a loss of approximately HK$191 million for the first half of 2018 due to a decrease in revenue and the start-up costs associated with introduction of free TV channel.

- Internet and multimedia segment EBITDA(Note 1) recorded an increase from approximately HK$54 million for the corresponding period in 2017 to approximately HK$56 million for the first half of 2018.

	Unaudited	
	Six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
Revenue	**587,468**	641,112
Loss from operations	**(284,190)**	(221,840)
Loss for the period	**(253,563)**	(141,137)
		(Restated)
	HK cents	HK cents
Basic loss per share	**(4.1)**	(5.7)
Diluted loss per share	**(4.1)**	(5.7)

	Unaudited June 30, 2018 HK$'000	Audited December 31, 2017 HK$'000
Total assets	**1,823,489**	2,064,782
Total liabilities	**(902,288)**	(934,935)
Total equity	**921,201**	1,129,847
Gearing ratio (Note 2)	**53.7%**	43.8%

Notes:

1. "EBITDA" represents earnings before interest income, finance costs, non-operating income, income tax credit, depreciation of property, plant and equipment but after amortisation of programming library.

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

BUSINESS REVIEW

OPERATING ENVIRONMENT

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

Business

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

Customers ('000)	**June 2018**	June 2017
TV	**833**	889
Broadband	**150**	153
Telephony	**88**	95

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

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

Directly impacted by the shift of advertising dollars to digital media and online platforms, airtime sales business of Pay TV underperformed in the first half of 2018. The Group is building up the airtime sales business of Fantastic Television Limited ("Fantastic TV"), the local free TV channel that was launched in May 2017.

The Group is under-going major changes, aiming to improve business performance in the second half of 2018.

Programming

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

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

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

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

(A) REVIEW OF RESULTS

Revenue of the Group for the six months ended June 30, 2018 decreased by approximately HK$54 million or 8% to approximately HK$587 million (for the six months ended June 30, 2017: HK$641 million).

Operating costs of the Group for the six months ended June 30, 2018, including selling, general and administrative and other operating expenses, cost of sales, network expenses and programming costs, increased by approximately HK$8 million to approximately HK$871 million (for the six months ended June 30, 2017: HK$863 million). Selling, general and administrative and other operating expenses of the Group increased by approximately 7%, cost of sales of the Group increased by approximately 15%, while network expenses of the Group decreased by approximately 15% and programming costs of the Group increased by approximately 4%.

Loss from operations of the Group for the six months ended June 30, 2018 was approximately HK$284 million, representing an increase of approximately 28%, as compared with the operating loss of approximately HK$222 million for the corresponding period in 2017.

During the six months ended June 30, 2018, the Group recorded a gain on the disposal of subsidiaries, which were property holding companies, of approximately HK$32 million (for the six months ended June 30, 2017: HK$72 million). Gain on disposal of real properties during the six months ended June 30, 2017 was approximately HK$11 million and there was no disposal of real properties during the six months ended June 30, 2018.

After the recognition of interest income, finance costs, non-operating income and income tax credit, the Group recorded a net loss of approximately HK$254 million for the six months ended June 30, 2018 (for the six months ended June 30, 2017: HK$141 million). Basic and diluted loss per share for the six months ended June 30, 2018 were approximately HK4.1 cents (basic and diluted loss per share for the six months ended June 30, 2017 (restated): HK5.7 cents).

(B) SEGMENTAL INFORMATION

The principal activities of the Group include television, and internet and multimedia operations.

Television

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

Revenue derived from the television segment for the six months ended June 30, 2018 decreased by approximately 11% to approximately HK$416 million (for the six months ended June 30, 2017: HK$466 million) on lower subscription and advertising revenue.

Operating costs before depreciation incurred by the television segment for the six months ended June 30, 2018 increased by approximately 3% to approximately HK$607 million (for the six months ended June 30, 2017: HK$589 million). EBITDA for the six months ended June 30, 2018 was at a loss of approximately HK$191 million (for the six months ended June 30, 2017: a loss of approximately HK$123 million) due to a decrease in revenue and the start-up costs associated with introduction of free TV channel.

Internet and multimedia

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

Revenue derived from the internet and multimedia segment for the six months ended June 30, 2018 decreased by approximately 4% to approximately HK$156 million (for the six months ended June 30, 2017: HK$162 million).

Operating costs before depreciation incurred by the internet and multimedia segment for the six months ended June 30, 2018 decreased by approximately 7% to approximately HK$100 million (for the six months ended June 30, 2017: HK$108 million). EBITDA for the six months ended June 30, 2018 increased by approximately 4% to approximately HK$56 million (for the six months ended June 30, 2017: HK$54 million).

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at June 30, 2018, the Group had cash and bank balances and restricted bank balances of approximately HK$298 million and HK$14 million respectively, as compared to approximately HK$568 million and HK$17 million respectively as at December 31, 2017. The cash and bank balances and restricted bank balances of the Group as at June 30, 2018 and December 31, 2017 are mainly denominated in Hong Kong Dollar ("HK$"). The gearing ratio, measured in terms of the total interest-bearing borrowings divided by total equity, was approximately 53.7% (December 31, 2017: 43.8%). The capital structure of the Group was 35% debt and 65% equity as at June 30, 2018, representing an increase of approximately 5% and a decrease of approximately 5% respectively as compared with 30% debt and 70% equity as at December 31, 2017.

Consolidated net asset value of the Group as at June 30, 2018 was approximately HK$921 million, representing a decrease of approximately 18%, as compared with consolidated net asset value of the Group as at December 31, 2017 of approximately HK$1,130 million.

The carrying amount of interest-bearing borrowings denominated in HK$ as at June 30, 2018 was HK$495 million (December 31, 2017: HK$495 million), which carries interest at variable rates, of which HK$395 million was repayable on demand and HK$100 million would become due after one year but not more than two years. The committed borrowing facilities available to the Group but not drawn as at June 30, 2018 amounted to HK$5 million (as at December 31, 2017: HK$11 million).

In September 2017, the Company completed the open offer (the "Open Offer") of 3,352,520,666 shares of the Company (the "Shares") at the offer price of HK$0.21 per Share for net proceeds of approximately HK$687 million and completed the conversion of the loan capitalisation amount of HK$300 million to 841,987,090 Shares in accordance with the loan capitalisation agreement among the Company, Hong Kong Cable Television Limited ("HKCTV") (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 as at December 31, 2017, intended use of such unutilised net proceeds and expected timeline	Actual use of net proceeds during the six months ended June 30, 2018	Unutilised amount of net proceeds as at June 30, 2018, intended use of such unutilised net proceeds and expected timeline
Approximately HK$523 million comprising:	Approximately HK$225 million comprising:	Approximately HK$298 million (being unutilised net proceeds of approximately HK$523 million less use of net proceeds during the six months ended June 30, 2018 of approximately HK$225 million) comprising:
(i) approximately HK$146 million for investments in network related capital expenditure within 3 years from the completion of the Open Offer;	(i) approximately HK$60 million for investments in network related capital expenditure;	(i) approximately HK$86 million for investments in network related capital expenditure within 3 years from the completion of the Open Offer;

Unutilised amount of net proceeds as at December 31, 2017, intended use of such unutilised net proceeds and expected timeline	Actual use of net proceeds during the six months ended June 30, 2018	Unutilised amount of net proceeds as at June 30, 2018, intended use of such unutilised net proceeds and expected timeline
(ii) approximately HK$143 million for investments in television related capital expenditure within 3 years from the completion of the Open Offer;	(ii) approximately HK$31 million for investments in television related capital expenditure;	(ii) approximately HK$112 million for investments in television related capital expenditure within 3 years from the completion of the Open Offer;
(iii) approximately HK$75 million for investments in other capital expenditure within 3 years from the completion of the Open Offer; and	(iii) approximately HK$25 million for investments in other capital expenditure; and	(iii) approximately HK$50 million for investments in other capital expenditure within 3 years from the completion of the Open Offer; and
(iv) approximately HK$159 million for funding required for operating requirements of the Group within 2 years from the completion of the Open Offer	(iv) approximately HK$109 million for funding required for operating requirements of the Group	(iv) approximately HK$50 million for funding required for operating requirements of the Group within 2 years from the completion of the Open Offer

The proceeds from the Open Offer were used, and are expected to be used, according to the intentions previously disclosed by the Company.

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

Capital expenditure on property, plant and equipment during the six months ended June 30, 2018 amounted to approximately HK$96 million (for the six months ended June 30, 2017: HK$109 million) and the additions to programming library during the six months ended June 30, 2018 was approximately HK$51 million (for the six months ended June 30, 2017: 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.

(D) CONTINGENT LIABILITIES

As at June 30, 2018, there were contingent liabilities in respect of guarantees provided by the Company to a bank and Wharf Finance Limited totally of HK$500 million (as at December 31, 2017: HK$500 million) in respect of guarantee facilities of borrowings up to HK$500 million (as at December 31, 2017: HK$500 million) to a wholly-owned subsidiary of the Company, of which HK$495 million (as at December 31, 2017: HK$495 million) was utilised by the subsidiary of the Company.

The maximum exposure of the Company at the end of the reporting period under the guarantees was the amount of facilities drawn down by the wholly-owned subsidiary of the Company amounted to HK$495 million (as at December 31, 2017: HK$495 million).

(E) HUMAN RESOURCES

The Group had 1,898 employees as at June 30, 2018 (as at June 30, 2017: 1,940). Total gross salaries and related costs before capitalisation and incurred for the six months ended June 30, 2018 amounted to approximately HK$323 million (for the six months ended June 30, 2017: HK$345 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.

(F) OPERATING ENVIRONMENT

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

(G) CHARGE ON GROUP ASSETS

As at June 30, 2018, restricted bank balances of approximately HK$14 million (as at December 31, 2017: HK$17 million) were made by the Group to secure certain banking facilities granted to the Group.

(H) 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 of Hong Kong Limited (the "Stock Exchange"), for the six months ended June 30, 2018.

(I) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

(J) OUTLOOK

The Group will continue to focus on its existing business operations and will explore new opportunities in the market. 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 ("HKIBC"), a 24-hour English free television channel in Hong Kong, which was officially launched on July 30, 2018 on Channel 76. HKIBC focuses on providing financial news and information with programmes in both English and Putonghua.

The Group will continue to review its capital structure and the composition of its assets and liabilities periodically and will strive to make good use of available cash on hand for its operations and continue to exercise additional prudence to invest in programming library, content enrichment, HD/OTT upgrades, customer service improvement, GPON for higher spend broadband service and new businesses, as well as marketing and media initiatives to sharpen the competitiveness of the Group.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF i-CABLE COMMUNICATIONS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 44, which comprises the condensed consolidated statement of financial position of i-CABLE Communications Limited (the "Company"), its subsidiaries and consolidated structured entities (together, the "Group") as at June 30, 2018 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 24, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018 — unaudited

	Note	Six months ended June 30, 2018 HK$'000	2017 HK$'000
Revenue	*7, 8*	**587,468**	641,112
Programming costs		**(482,832)**	(463,136)
Network expenses		**(165,902)**	(194,307)
Selling, general and administrative and other operating expenses		**(179,518)**	(167,746)
Cost of sales		**(43,406)**	(37,763)
Loss from operations	*8*	**(284,190)**	(221,840)
Interest income		**1,458**	62
Finance costs		**(4,300)**	(4,686)
Non-operating income		**32,445**	82,890
Loss before taxation	*9*	**(254,587)**	(143,574)
Income tax credit	*10*	**1,024**	2,437
Loss for the period		**(253,563)**	(141,137)
Attributable to:			
Equity shareholders of the Company		**(253,563)**	(141,137)
Loss per share	*11*		(Restated)
Basic		**(4.1) HK cents**	(5.7) HK cents
Diluted		**(4.1) HK cents**	(5.7) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018 — unaudited

	Six months ended June 30, 2018 HK$'000	2017 HK$'000
Loss for the period	**(253,563)**	(141,137)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Currency translation difference	**254**	81
Total comprehensive income for the period	**(253,309)**	(141,056)
Attributable to:		
Equity shareholders of the Company	**(253,309)**	(141,056)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	Note	**Unaudited June 30, 2018 HK$'000**	Audited December 31, 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**879,902**	888,775
Programming library		**143,640**	151,577
Intangible assets		**1,218**	1,218
Interest in an associate		**–**	–
Contract acquisition costs		**15,402**	–
Deferred tax assets		**302,223**	303,472
Deposits, prepayments and other receivables		**31,212**	39,006
		1,373,597	1,384,048
Current assets			
Inventories		**14,133**	13,981
Trade receivables	*12*	**44,477**	43,822
Deposits, prepayments and other receivables		**57,080**	38,187
Contract acquisition costs		**21,615**	–
Restricted bank balances		**14,490**	16,710
Cash and bank balances		**298,097**	568,034
		449,892	680,734
Total assets		**1,823,489**	2,064,782

As at June 30, 2018

	Note	Unaudited June 30, 2018 HK$'000	Audited December 31, 2017 HK$'000
EQUITY			
Capital and reserves			
Share capital	*14*	**7,844,472**	7,844,472
Reserves		**(6,923,271)**	(6,714,625)
Total equity		**921,201**	1,129,847
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings		**100,000**	100,000
Deferred tax liabilities		**–**	2,447
Accrued expenses and other payables		**21,068**	21,068
Receipts in advance and customers' deposits		**173**	919
		121,241	124,434
Current liabilities			
Trade payables	*13*	**17,755**	17,150
Accrued expenses and other payables		**219,582**	235,771
Receipts in advance and customers' deposits		**148,618**	162,494
Interest-bearing borrowings		**395,000**	395,000
Current tax liabilities		**92**	86
		781,047	810,501
Total liabilities		**902,288**	934,935
Total equity and liabilities		**1,823,489**	2,064,782

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018 — unaudited

	Attributable to equity shareholders of the Company						
	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Share option reserve HK$'000	Total reserves HK$'000	Total equity HK$'000
Balance at December 31, 2017 (audited)	7,844,472	13,985	3,261	(6,731,871)	–	(6,714,625)	1,129,847
Adjustment on adoption of HKFRS 15 (Note 4)	–	–	–	33,903	–	33,903	33,903
Balance at January 1, 2018 (restated)	7,844,472	13,985	3,261	(6,697,968)	–	(6,680,722)	1,163,750
Loss for the period	–	–	–	(253,563)	–	(253,563)	(253,563)
Other comprehensive income	–	–	254	–	–	254	254
Total comprehensive income for the period	–	–	254	(253,563)	–	(253,309)	(253,309)
Transactions with owners							
Share option expense	–	–	–	–	10,760	10,760	10,760
Total transactions with owners	–	–	–	–	10,760	10,760	10,760
Balance at June 30, 2018 (unaudited)	7,844,472	13,985	3,515	(6,951,531)	10,760	(6,923,271)	921,201

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended June 30, 2018 — unaudited

	Attributable to equity shareholders of the Company					
	Share capital HK$'000	**Capital reserve** HK$'000	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total reserves** HK$'000	**Total equity** HK$'000
Balance at January 1, 2017	6,857,599	13,985	2,858	(6,369,044)	(6,352,201)	505,398
Loss for the period	–	–	–	(141,137)	(141,137)	(141,137)
Other comprehensive income	–	–	81	–	81	81
Total comprehensive income for the period	–	–	81	(141,137)	(141,056)	(141,056)
Balance at June 30, 2017 (unaudited)	6,857,599	13,985	2,939	(6,510,181)	(6,493,257)	364,342

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018 – unaudited

	Six months ended June 30, 2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before taxation	**(254,587)**	(143,574)
Adjustments for:		
Finance costs	**4,300**	4,686
Interest income	**(1,458)**	(62)
Depreciation	**97,350**	104,191
Amortisation of programming library	**58,640**	54,445
Others	**(21,425)**	(82,771)
Operating loss before changes in working capital	**(117,180)**	(63,085)
Changes in working capital	**(51,120)**	(47,354)
Cash flows used in operations	**(168,300)**	(110,439)
The People's Republic of China ("PRC") tax paid	**(171)**	(235)
Net cash used in operating activities	**(168,471)**	(110,674)
Cash flows from investing activities		
Interest received	**1,718**	74
Purchase of property, plant and equipment	**(93,818)**	(95,462)
Proceeds from disposal of subsidiaries	**38,800**	77,850
Other investing activities	**(43,888)**	(38,080)
Net cash used in investing activities	**(97,188)**	(55,618)
Cash flows from financing activities		
Drawdown of interest-bearing borrowings	**–**	155,000
Repayment of interest-bearing borrowings	**–**	(40,000)
Finance costs paid	**(4,300)**	(4,686)
Net cash (used in)/from financing activities	**(4,300)**	110,314
Net decrease in cash and cash equivalents	**(269,959)**	(55,978)
Cash and cash equivalents at January 1	**568,034**	85,814
Effect of foreign exchange rate changes	**22**	20
Cash and cash equivalents at June 30	**298,097**	29,856

1. General information

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

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

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

The condensed consolidated Interim Financial Information for the six months ended June 30, 2018 (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 24, 2018.

The financial information relating to the year ended December 31, 2017 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, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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, 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at June 30, 2018, the Group had net current liabilities of HK$331,155,000 (December 31, 2017: HK$129,767,000). The net current liabilities included an interest-bearing borrowing of HK$395 million which was drawn from a banking facility of HK$400 million and is repayable on demand and such banking facility is subject to review. The Group also had an interest-bearing borrowing of HK$100 million which was drawn from a revolving loan facility of HK$100 million given by Wharf Finance Limited ("Wharf Finance") and is due on December 31, 2019.

In the opinion of the Directors, after taking into account, among other things, the expected renewal of existing banking facilities, financial resources available to the Group, the current level of operations of the Group, and the bank deposits and cash balances, the Directors are satisfied that the Group will have sufficient working capital to fund its operations and commitments and remain as a going concern in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the Interim Financial Information of the Group on a going concern basis. The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

3. Significant accounting policies

The significant accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements, except for the adoption of the new standard, amendments to HKFRSs and interpretation effective for the financial year ending December 31, 2018, and the accounting policy of share-based payment.

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

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

The adoption of these new standard, amendments to standards and interpretation does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group, except as described in Note 4 below.

3. Significant accounting policies *(continued)*

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

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

HKFRS 16	Leases [1]
HKFRS 17	Insurance Contracts [2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKAS 19 (Amendments)	Employee Benefits [1]
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures [1]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments [1]
Annual Improvements Project	Annual Improvements 2015–2017 Cycle [1]

(1) Effective for annual periods beginning on or after January 1, 2019
(2) Effective for annual periods beginning on or after January 1, 2021
(3) Effective date is to be determined

HKFRS 16 'Leases'

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

3. Significant accounting policies *(continued)*

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

HKFRS 16 'Leases' *(continued)*

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019.

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

3. Significant accounting policies *(continued)*

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised. On lapse of share options according to the plan, corresponding amount recognised in share option reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

4. Change in accounting policy

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from January 1, 2018. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new standard retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses on January 1, 2018. In summary, the following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as the date of initial application (January 1, 2018):

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

Accounting for costs incurred to obtain a contract

From 2015 to 2017, costs amounting to HK$33,903,000 related to commission expense were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, costs related directly to the contracts are expected to be recovered. They were therefore capitalised as costs to obtain a contract following the adoption of HKFRS 15 and included in contract acquisition costs in the condensed consolidated statement of financial position on January 1, 2018, resulting in net adjustment to accumulated losses of the same amount. The asset is amortised on a straight line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. During the six months ended June 30, 2018, the Group recognised amortisation of HK$11,039,000, which increased cost of providing services and increased loss after taxation by the same amount, and capitalised commission of HK$14,153,000.

4. Change in accounting policy *(continued)*

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

	Six months ended June 30, 2018		
	HKAS 18	**Effect of adoption of HKFRS 15**	**As reported**
	HK$'000	HK$'000	HK$'000
Selling, general and administrative and other operating expenses	182,632	(3,114)	179,518

	As at June 30, 2018		
	HKAS 18	**Effect of adoption of HKFRS 15**	**As reported**
	HK$'000	HK$'000	HK$'000
Contract acquisition costs	–	37,017	37,017
Accumulated losses	(6,988,548)	37,017	(6,951,531)

As at January 1, 2018 and June 30, 2018, receipts in advance amounting to HK$115,318,000 and HK$101,343,000 respectively, represented contract liabilities in relation to advance payments made by the customers while the underlying services are yet to be provided under HKFRS 15.

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 expense. Actual results may differ from these estimates.

5. Estimates and judgements *(continued)*

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, 2017.

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, 2017.

There have been no changes in the risk management policies since December 31, 2017.

(b) Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

7. Revenue

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

8. Segment information

The Group managed its businesses according to the nature of services provided. The Group's chief operating decision maker (the "CODM") has determined two reportable operating segments for measuring performance and allocating resources. The segments are television, and internet and multimedia.

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

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

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

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

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

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

8. Segment information *(continued)*

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, 2018 and 2017 is set out below:

	Unaudited Six months ended June 30,							
	Television		Internet and multimedia		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue	**419,915**	470,699	**156,127**	162,296	**17,365**	15,286	**593,407**	648,281
Less: Inter-segment revenue	**(4,263)**	(4,515)	**(104)**	(104)	**(1,572)**	(2,550)	**(5,939)**	(7,169)
Revenue from external customers *(Note)*	**415,652**	466,184	**156,023**	162,192	**15,793**	12,736	**587,468**	641,112
Reportable segment EBITDA	**(191,261)**	(123,090)	**56,496**	53,563	**5,864**	3,038	**(128,901)**	(66,489)
Depreciation	**(60,518)**	(65,679)	**(35,501)**	(37,220)	**(178)**	(211)	**(96,197)**	(103,110)
Reportable segment results before corporate expenses	**(251,779)**	(188,769)	**20,995**	16,343	**5,686**	2,827	**(225,098)**	(169,599)
Corporate expenses and depreciation							**(59,092)**	(52,241)
Loss from operations							**(284,190)**	(221,840)
Interest income							**1,458**	62
Finance costs							**(4,300)**	(4,686)
Non-operating income							**32,445**	82,890
Income tax credit							**1,024**	2,437
Loss for the period							**(253,563)**	(141,137)

Note: For the six months ended June 30, 2018, HK$11,067,000 and HK$576,401,000 were recognised as revenue at a point in time and over time respectively.

8. Segment information *(continued)*

	Unaudited June 30, 2018 HK$'000	Audited December 31, 2017 HK$'000
Segment assets		
Television	**1,008,013**	1,192,638
Internet and multimedia	**444,341**	485,979
Others	**20,860**	27,814
	1,473,214	1,706,431
Corporate assets	**48,052**	54,879
Interest in an associate	**–**	–
Deferred tax assets	**302,223**	303,472
Total assets	**1,823,489**	2,064,782
Segment liabilities		
Television	**602,890**	628,941
Internet and multimedia	**239,727**	232,429
Others	**22,918**	23,254
	865,535	884,624
Corporate liabilities	**36,661**	47,778
Current tax liabilities	**92**	86
Deferred tax liabilities	**–**	2,447
Total liabilities	**902,288**	934,935

8. Segment information *(continued)*

During the six months ended June 30, 2018, there were additions of HK$95,741,000 (2017: HK$108,887,000) to property, plant and equipment and HK$50,704,000 (2017: HK$51,343,000) 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.

9. Loss before taxation

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

	Unaudited six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
Depreciation		
— assets held for use under operating leases	**10,353**	11,077
— other assets	**86,997**	93,114
Amortisation of programming library *(Note)*	**58,640**	54,445
Interest expenses on borrowings	**4,300**	4,686
Non-operating income		
— gain on disposal of subsidiaries	**(31,634)**	(71,508)
— gain on disposal of real properties	**–**	(10,970)
— net gain on disposal of plant and equipment	**(811)**	(412)

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

10. Income tax credit

Hong Kong and PRC profits tax has been provided at the rate of 16.5% (2017: 16.5%) and at the rates of taxation prevailing in the countries 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,	
	2018	2017
	HK$'000	HK$'000
Current income tax — PRC	**174**	211
Deferred income taxation	**(1,198)**	(2,648)
	(1,024)	(2,437)

11. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$253,563,000 (2017: HK$141,137,000) and the weighted average of 6,206,020,156 ordinary shares of the Company (the "Shares") (2017 (restated): 2,474,160,252) in issue during the period.

	2018	(Restated) 2017
Weighted average number of the Shares		
Issued Shares at January 1	**6,206,020,156**	2,011,512,400
Effect of Open Offer *(Note 14(ii))*	**–**	462,647,852
Weighted average number of the Shares at June 30	**6,206,020,156**	2,474,160,252

11. Loss per share *(continued)*

The diluted loss per share for 2018 and 2017 equals to the basic loss per share since the exercise of the outstanding share options would not have a dilutive effect on the loss per share.

The loss per share for the six months ended June 30, 2017 was restated by adjusting the weighted average number of shares in issue for the bonus element due to the Open Offer.

12. Trade receivables

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

	Unaudited June 30, 2018 HK$'000	Audited December 31, 2017 HK$'000
0 to 30 days	**17,398**	14,673
31 to 60 days	**6,441**	11,352
61 to 90 days	**8,572**	7,606
Over 90 days	**12,066**	10,191
	44,477	43,822

The Group has a defined credit policy. The general credit terms allowed range from 0 to 90 days in respect of television subscription, and internet and multimedia services and from 0 to 270 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, 2018 HK$'000	Audited December 31, 2017 HK$'000
0 to 30 days	**9,157**	9,594
31 to 60 days	**3,446**	3,827
61 to 90 days	**1,632**	848
Over 90 days	**3,520**	2,881
	17,755	17,150

14. Share capital

	Number of shares	**Amount** HK$'000
Ordinary shares, issued and fully paid:		
At January 1, 2017 and June 30, 2017	2,011,512,400	6,857,599
Shares issued under Open Offer *(Note ii)*	3,352,520,666	704,029
Shares issued under Loan Capitalisation *(Note ii)*	841,987,090	300,000
Transaction costs incurred in respect of Open Offer	–	(17,156)
At December 31, 2017, January 1, 2018 and June 30, 2018	6,206,020,156	7,844,472

14. Share capital *(continued)*

Notes:

(i) Share option scheme

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

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

The fair value of the share options granted at the date of grant, June 15, 2018, was estimated at HK$20,771,000. During the period from the date of grant to June 30, 2018, no share options was exercised, lapsed or cancelled.

(ii) Open offer and loan capitalisation

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

15. Dividend

The board of Directors does not recommend the payment of any interim dividend for the six months ended June 30, 2018 (2017: HK$Nil).

16. Capital commitments

Capital commitments outstanding as of June 30, 2018 were as follows:

	Unaudited June 30, 2018 HK$'000	Audited December 31, 2017 HK$'000
Property, plant and equipment		
— Contracted but not provided for	**12,951**	15,504
Programming library		
— Contracted but not provided for	**26,037**	34,703
	38,988	50,207

17. Contingent liabilities

At June 30, 2018, there were contingent liabilities in respect of the following:

(a) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.

(b) Guarantees to a bank and Wharf Finance totalling HK$500,000,000 (December 31, 2017: HK$500,000,000) in respect of guarantee facilities to a wholly-owned subsidiary of the Company. Of this amount, at June 30, 2018, HK$395,000,000 (December 31, 2017: HK$395,000,000) from a bank and HK$100,000,000 (December 31, 2017: HK$100,000,000) from Wharf Finance were utilised by the subsidiary of the Company.

17. Contingent liabilities *(continued)*

As at the end of the reporting period, the Company has issued two separate guarantees to a bank and Wharf Finance in respect of loan facilities granted to a subsidiary of the Company. As at June 30, 2018, the Directors did not consider it probable that a claim would be made against the Company under any of the guarantees. The maximum exposure of the Company at the end of the reporting period under the guarantees was the amount of facilities drawn down by the wholly-owned subsidiary of the Company amounting to HK$495,000,000 (December 31, 2017: HK$495,000,000).

18. Material related party transactions

(a) In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial information of the Group, the Group entered into the following material related party transactions during the period:

	Unaudited six months ended June 30,	
	2018	2017
	HK$'000	HK$'000
Rentals and related management fees on land and buildings paid to former fellow subsidiaries of the Company	**–**	24,588
Management fees paid to a former fellow subsidiary of the Company	**–**	4,706
Finance costs paid to a former fellow subsidiary of the Company	**–**	2,055

In September 2017, The Wharf (Holdings) Limited ("Wharf") and its subsidiaries and affiliates ceased to be related parties of the Group. Accordingly, the transactions with Wharf or any of its subsidiaries and affiliates were no longer included in the material related party transactions.

(b) Key management compensation amounted to HK$8,294,000 for the six months ended June 30, 2018 (June 30, 2017: HK$6,625,000).

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 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 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. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

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

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 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, 2018.

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

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed below, as at June 30, 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange.

Long position in underlying Shares — share options

Share options granted to the Directors

			Number of Shares issuable under the share options granted						
Name	Date of grant	Exercisable period	Balance as at January 1, 2018	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at June 30, 2018	Exercise price per Share HK$
Tan Sri Dato' David CHIU	June 15, 2018	(Note 1)	–	62,000,000	–	–	–	62,000,000	0.210
Dr. CHENG Kar-Shun, Henry	June 15, 2018	(Note 1)	–	62,000,000	–	–	–	62,000,000	0.210
Dr. CHENG Chi-Kong, Adrian	June 15, 2018	(Note 1)	–	20,000,000	–	–	–	20,000,000	0.210
Mr. TSANG On Yip, Patrick	June 15, 2018	(Note 1)	–	26,250,000	–	–	–	26,250,000	0.210
Mr. HOONG Cheong Thard	June 15, 2018	(Note 1)	–	26,250,000	–	–	–	26,250,000	0.210
Mr. Andrew Wah Wai CHIU	June 15, 2018	(Note 1)	–	35,500,000	–	–	–	35,500,000	0.210
			–	232,000,000	–	–	–	232,000,000	

Notes:

(1) 50% of the share options are exercisable from June 15, 2018 to June 14, 2028 (both dates inclusive); and 50% of the share options are exercisable from June 15, 2019 to June 14, 2028 (both dates inclusive).

(2) The closing price per Share as stated in the daily quotation sheet issued by the Stock Exchange immediately before the date on which the share options were granted was HK$0.155.

(3) The cash consideration paid by each of the Directors for the grant of share options was HK$1.00.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at June 30, 2018, so far as is known to the Directors or chief executive of the Company, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares

	Number of Shares					
Name of Shareholder	**Beneficial owner**	**Spouse interest**	**Interest of a controlled corporation**	**Other interest**	**Total**	**Approximate percentage of the number of issued Shares**
Forever Top (Asia) Limited	2,682,362,480	–	–	–	2,682,362,480	43.22%
HSBC Trustee (C.I.) Limited	–	–	–	618,953,533 (Note 1)	618,953,533	9.97%
Ng Hung Sang	106,504,000	54,870,000 (Note 2)	212,942,000 (Note 3)	–	374,316,000	6.03%
Ng Lai King Pamela	54,870,000	319,446,000 (Note 4)	–	–	374,316,000	6.03%

Notes:

1. HSBC Trustee (C.I.) Limited was deemed to be interested in 618,953,533 Shares by virtue of being the trustee of a discretionary trust.

2. Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 54,870,000 Shares which Ng Lai King Pamela is interested in under the SFO.

3. Ng Hung Sang was deemed to be interested in 212,942,000 Shares which his controlled corporations are interested in under the SFO. South China Finance and Management Limited directly held 212,942,000 Shares. South China Financial Holdings Limited held 100% control in South China Finance and Management Limited. Ng Hung Sang, through his 100% controlled corporations, held 25.66% control in South China Financial Holdings Limited.

4. Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 319,446,000 Shares which Ng Hung Sang is interested in under the SFO.

SHARE OPTION SCHEME

The Company previously adopted a share option scheme on November 2, 1999 which expired on November 2, 2009 and all outstanding unexercised share options granted thereunder expired on December 31, 2009. The Company adopted a new share option scheme (the "Share Option Scheme") on May 24, 2018 which will be valid and effective for a period of ten years from the date of adoption.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentives to the eligible persons, to recognise and acknowledge the contributions that the eligible persons have made or may make to the Group and to promote the success of the business of the Group. The board of Directors (the "Board") considers that the Share Option Scheme would motivate more persons to make contribution to the Group, facilitate the retention and the recruitment of high-calibre staff of the Group. The Board also believes that it is in the interest of the Group as a whole for a broader category of eligible persons other than the employees and directors such as consultants and advisers to be given incentives to participate in the growth of, and make contribution to, the Group in the form of options to subscribe for Shares. Furthermore, the Board considers that the eligible persons will share common interests and objectives with the Group upon their exercise of the share options granted by the Company, which is beneficial to the long-term development of the Group.

During the period from the date of the adoption of the Share Option Scheme to June 30, 2018, movement of share options granted by the Company to eligible persons was as follows:

a. Details of the movement of share options granted to the Directors are disclosed under section headed "Directors' Interests in Securities" above.

b. Details of the movement of share options granted to other eligible persons (other than the Directors) are as follows:

Eligible Persons	Date of grant	Exercisable period	Number of Shares issuable under the share options granted: Balance as at January 1, 2018	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at June 30, 2018	Exercise price per Share HK$
Employee	June 15, 2018	(Note 1)	–	40,200,000	–	–	–	40,200,000	0.210
Other participants	June 15, 2018	(Note 1)	–	7,000,000	–	–	–	7,000,000	0.210
			–	47,200,000	–	–	–	47,200,000	

Notes:

(1) 50% of the share options are exercisable from June 15, 2018 to June 14, 2028 (both dates inclusive); and 50% of the share options are exercisable from June 15, 2019 to June 14, 2028 (both dates inclusive).

(2) The closing price per Share as stated in the daily quotation sheet issued by the Stock Exchange immediately before the date on which the share options were granted was HK$0.155.

(3) The cash consideration paid by each of the eligible persons for the grant of share options was HK$1.00.

The fair value of the share options granted at the date of grant, June 15, 2018, was estimated at approximately HK$21 million using the Binomial option pricing model. Value was estimated based on the risk-free rate at 2.25% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing on August 22, 2028) as of the value date, a historical volatility of 66.08% calculated based on the historical price with period equals to the life of the share options, assuming zero dividend yield based on historical dividend payout records. Share options which are forfeited prior to the expiry date will be released directly to the reserve. The Binomial option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates. With regard to the subjectivity and uncertainty of the values of the options, such values are subject to a number of assumptions and the limitation of the Binomial option pricing model.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

HKCTV as borrower, and the Company, as guarantor, confirmed the acceptance of a facility letter issued by a bank (the "Lender"), as the lender, in respect of, among other things, a HK$400,000,000 revolving loan facility (the "Revolving Loan Facility") being subject to review at any time and in any event by February 28, 2019 by the Lender; and the Company, as applicant, on behalf of Hong Kong Cable News Express Limited, a wholly-owned subsidiary of the Company, (together with HKCTV, the "Borrowers") confirmed the acceptance of a facility letter issued by the Lender in respect of a HK$30,000,000 performance bond facility (the "Performance Bond Facility") with a maximum tenor of five years being subject to review at any time and in any event by February 28, 2019 by the Lender.

Pursuant to the facility letters in relation to both the Revolving Loan Facility and the Performance Bond Facility, the Borrowers have undertaken that Forever Top (Asia) Limited, the controlling shareholder of the Company, would (i) hold greater than 35% of the total number of the issued Shares and (ii) be the single largest Shareholder. In the event of a breach of the aforesaid covenant, the Lender has the right to suspend, withdraw or make demand in respect of the whole or any part of the respective facilities made available to the relevant Borrower at any time or determine whether or not to permit drawings in relation to the respective facilities.

During the six months ended June 30, 2018, the above specific performance obligations under the Revolving Loan Facility and the Performance Bond Facility have been complied with. Details of the transactions have been set out in the announcement of the Company dated April 17, 2018.

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 oversighting the Group's financial reporting system, and risk management and internal control systems, as well as the Group's corporate governance matters. As at the date of this report, 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, 2018 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, 2018 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.

UPDATE ON INFORMATION OF THE DIRECTORS

Changes in the information of Directors since the disclosure made in the annual report of the Company for the year ended December 31, 2017, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Dr. CHENG Kar-Shun, Henry, a non-executive Director and the Vice-chairman of the Company, has retired as an independent non-executive director of Hang Seng Bank Limited, a company whose shares are listed on the Stock Exchange, with effect from May 10, 2018. Dr. CHENG has tendered his resignation as an independent non-executive director of HKR International Limited, a company whose shares are listed on the Stock Exchange, with effect from March 31, 2018. He has also tendered his resignation as the chairman and non-executive director of Newton Resources Limited, a company whose shares are listed on the Stock Exchange, with effect from April 9, 2018.

Dr. CHENG Chi-Kong, Adrian, a non-executive Director, has been appointed as a non-executive director of New Century Healthcare Holding Co. Limited, a company whose shares are listed on the Stock Exchange, with effect from June 1, 2018.

Mr. LAM Kin-Fung, Jeffrey, an independent non-executive Director, has been appointed as an independent non-executive director of Wing Tai Properties Limited, a company whose shares are listed on the Stock Exchange, with effect from June 6, 2018.

Mr. LUK Koon Hoo, Roger, an independent non-executive Director, has been appointed as an independent non-executive director of Harbour Centre Development Limited, a company whose shares are listed on the Stock Exchange, with effect from June 1, 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2018 (for the six months ended June 30, 2017: HK$Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended June 30, 2018.

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

Hong Kong, August 24, 2018

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