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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 1097

2014 Final Results Announcement

RESULTS HIGHLIGHTS

- Weaker local consumption depressed demand, while intense competition and product substitution increased supply.
- They combined to put significant pressure on both subscription and airtime sales revenue.
- TV customer base contraction continued on weaker sales in a shrinking market despite signs of stabilization towards the end of the year.
- Broadband reported minor growth in revenue and operating margin.
- It has become more necessary than ever to invest prudently in programming and other initiatives to prepare for challenging times ahead.
- Past operating losses have weakened our financial position. To sustain this investment, we will evaluate funding options from internal resources, external debt as well as fresh equity.

GROUP RESULTS

The loss attributable to Shareholders for the year ended December 31, 2014 amounted to HK\$139 million, as compared to HK\$93 million in 2013. Basic and diluted loss per share were both HK\$0.07 (2013: HK\$0.05).

DIVIDEND

The Board has resolved not to declare any dividend for the year ended December 31, 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Review of 2014 Results

Consolidated turnover decreased by 14% to HK\$1,666 million.

Operating costs before depreciation decreased by 11% to HK\$1,578 million. Programming costs decreased by 15%, selling, customer service, general and administrative expenses by 10% and cost of sales by 5%, while network cost was unchanged.

EBITDA was HK\$88 million (2013: HK\$149 million).

Net loss was HK\$139 million (2013: HK\$93 million). Basic and diluted loss per share was HK\$0.07 (2013: HK\$0.05).

B. Segmental Information

Television

Turnover decreased by 18% to HK\$1,266 million on lower subscription and advertising income. Operating costs before depreciation decreased by 13% to HK\$1,232 million, primarily due to lower programming and subscriber acquisition cost. EBITDA was HK\$34 million (2013: HK\$125 million).

Internet & Multimedia

Turnover increased by 5% to HK\$365 million. Operating costs before depreciation decreased by 6% to HK\$209 million. EBITDA improved by 25% to HK\$156 million (2013: HK\$125 million).

C. Liquidity and Financial Resources

As of December 31, 2014, the Group had net debt of HK\$38 million (2013: net cash HK\$182 million).

Consolidated net asset value as at December 31, 2014 was HK\$1,053 million, or HK\$0.52 per share.

The Group's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong dollars or U.S. dollars and the exchange rate between these two currencies has remained pegged.

Capital expenditure during the period amounted to HK\$188 million (2013: HK\$149 million). Major items included network upgrade and expansion as well as TV production and broadcast facilities for HD channels.

The Group's ongoing capital expenditure and new business development will first be

funded by internal cash flows generated from operations. Loan facilities and fresh equity will also be considered thereafter.

D. Contingent Liabilities

At December 31, 2014, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to overdraft and guarantee facilities of loan up to HK\$206 million (2013: HK\$6 million), of which HK\$100 million (2013: Nil) have been utilised by the subsidiaries.

E. Human Resources

At year-end, the Group had 2,256 employees (2013: 2,384). During the year, gross salaries and related costs of HK\$699 million (2013: HK\$714 million) were incurred.

F. Competition and Operating Environment

Weaker local consumption depressed demand, while intense competition and product substitution among all forms of video, broadband and telephony services increased supply. They combined to put significant pressure on both subscription and airtime sales revenue. On the other hand, escalating costs, especially programming rights fee, continued to erode our margin. Yet, it has become more necessary than ever to invest prudently in programming and other initiatives to prepare for challenging times ahead.

Our unique local programming helped us to compete in an increasingly crowded marketplace. We are proud of being the most watched pay TV platform over the past 21 years. The creativity and uniqueness of our programming is a strong asset to uphold our leading position in the local pay TV scene. We will continue to wisely invest in local programming.

G. Outlook

Faced with fierce competition, retooling for our business is the most critical mission. The Group endeavours to take its service to a different level to attain customer satisfaction and strengthen its marketing to drive revenue. Our sales, marketing and customer service teams have been working on new initiatives, including pricing strategy, customer segmentation and service image, to enhance brand and product attributes.

Enhancement of network infrastructure and the introduction of a new conditional access system is our other focus. The network upgrades will uplift our broadband services to cover a bigger number of homes. The introduction of the new conditional access system will enrich our customer viewing experience.

It has been over one year since the Government's in-principle approval to grant Fantastic Television Limited a free TV licence. Despite using our best efforts to negotiate with the Communications Authority ("CA") over the draft licence, there is still inertia in the CA's

response on a regulatory regime greatly favouring the incumbents in many ways. A pro-competition playing field is a pre-requisite for a healthy free TV industry to prosper with new licensees. We will bear this in mind when negotiating the free TV licence.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	(3,4)	1,665,658	1,931,754
Programming costs		(925,324)	(1,087,919)
Network expenses		(220,557)	(219,637)
Selling, general and administrative and other operating expenses		(333,540)	(371,657)
Cost of sales		(98,506)	(103,168)
Profit from operations before depreciation		87,731	149,373
Depreciation	(5)	(226,514)	(237,211)
Loss from operations		(138,783)	(87,838)
Interest income		69	476
Finance costs, net		(519)	(2,695)
Non-operating (expenses)/income		(66)	61
Loss before taxation	(5)	(139,299)	(89,996)
Income tax	(6)	(191)	(2,914)
Loss for the year		(139,490)	(92,910)
Attributable to:			
Equity shareholders of the Company		(139,490)	(92,910)
Loss per share	(8)		
Basic		(6.9) cents	(4.6) cents
Diluted		(6.9) cents	(4.6) cents

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
For the year ended December 31, 2014

	Note	2014 HK\$'000	2013 HK\$'000
Loss for the year		<u>(139,490)</u>	<u>(92,910)</u>
Other comprehensive income for the year (after reclassification adjustment)	(7)		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		-	569
Total comprehensive income for the year		<u>(139,490)</u>	<u>(92,341)</u>
Attributable to:			
Equity shareholders of the Company		<u>(139,490)</u>	<u>(92,341)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		893,066	934,310
Programming library		167,981	137,465
Other intangible assets		3,767	3,767
Interest in associate		-	-
Deferred tax assets		302,949	311,373
Other non-current assets		58,479	55,688
		<u>1,426,242</u>	<u>1,442,603</u>
Current assets			
Inventories		18,152	13,884
Accounts receivable from trade debtors	(9)	77,494	80,120
Deposits, prepayments and other receivables		83,243	53,794
Amounts due from fellow subsidiaries		1,158	1,404
Bank deposits and cash		62,382	182,028
		<u>242,429</u>	<u>331,230</u>
Current liabilities			
Amounts due to trade creditors	(10)	69,834	89,535
Accrued expenses and other payables		214,599	217,394
Receipts in advance and customers' deposits		158,245	199,382
Interest bearing borrowings		100,000	-
Current taxation		179	232
Amounts due to fellow subsidiaries		38,122	30,886
Amount due to immediate holding company		936	1,642
		<u>581,915</u>	<u>539,071</u>
Net current liabilities		<u>(339,486)</u>	<u>(207,841)</u>
Total assets less current liabilities		<u>1,086,756</u>	<u>1,234,762</u>
Non-current liabilities			
Deferred tax liabilities		25,530	34,629
Other non-current liabilities		8,694	8,111
		<u>34,224</u>	<u>42,740</u>
NET ASSETS		<u>1,052,532</u>	<u>1,192,022</u>
CAPITAL AND RESERVES			
Share capital: nominal value		-	2,011,512
Other statutory capital reserves		-	4,846,087
Share capital and other statutory capital reserves		6,857,599	6,857,599
Other reserves		(5,805,067)	(5,665,577)
TOTAL EQUITY		<u>1,052,532</u>	<u>1,192,022</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014

	Attributable to equity shareholders of the Company							Total equity
	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Revenue reserve	Total reserves	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1, 2013	2,011,512	4,838,365	13,967	3,535	7,722	(5,590,738)	(727,149)	1,284,363
Loss for the year	-	-	-	-	-	(92,910)	(92,910)	(92,910)
Other comprehensive income	-	-	-	569	-	-	569	569
Total comprehensive income	-	-	-	569	-	(92,910)	(92,341)	(92,341)
Transfer to special capital reserve	-	-	14	-	-	(14)	-	-
Balance at December 31, 2013	2,011,512	4,838,365	13,981	4,104	7,722	(5,683,662)	(819,490)	1,192,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended December 31, 2014

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Revenue reserve	Total reserves	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1, 2014	2,011,512	4,838,365	13,981	4,104	7,722	(5,683,662)	(819,490)	1,192,022
Loss for the year	-	-	-	-	-	(139,490)	(139,490)	(139,490)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(139,490)	(139,490)	(139,490)
Transition to no-par value regime on March 3, 2014	4,846,087	(4,838,365)	-	-	(7,722)	-	(4,846,087)	-
Transfer to special capital reserve	-	-	3	-	-	(3)	-	-
Balance at December 31, 2014	6,857,599	-	13,984	4,104	-	(5,823,155)	(5,805,067)	1,052,532

NOTES TO THE FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements for the year ended December 31, 2014 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Although the Group had net current liabilities of HK\$339 million (2013: HK\$208 million) as of December 31, 2014, the Group had cash of HK\$62 million (2013: HK\$182 million). In addition, the Group had signed a banking facility of HK\$200 million, which is available in January 2015, and a revolving loan facility of HK\$200 million given by a fellow subsidiary, of which HK\$100 million had been utilised, at the end of the reporting period.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(2) Impact of new and revised Hong Kong Financial Reporting Standards

HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The above developments have had no material impact on the Group’s financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(3) Turnover

Turnover comprises principally subscription, service and related fees for Television and Internet (including Telephony) services. It also includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income and other related income.

(4) Segment information

The Group managed its businesses according to the nature of services provided. Management 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 TV subscription business, advertising, channel carriage, TV relay service, programme licensing, network maintenance, and miscellaneous TV related businesses.

The Internet and Multimedia segment includes operations related to Broadband Internet access services, portal operation, mobile content licensing, Voice Over Internet Protocol telephony services as well as other Internet access related businesses.

Management evaluates performance primarily based on earnings before interest, taxation, depreciation, and amortisation (“EBITDA”) and earnings before interest and taxation (“EBIT”). Management defines EBITDA to mean earnings before interest income, finance cost, impairment losses on investment, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming rights.

Inter-segment pricing is generally determined on arm’s length basis.

Segment assets principally comprise all tangible assets, intangible assets and current assets with the exception of interest in associate, investments in equity securities and deferred tax assets. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of current taxation and deferred tax liabilities.

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

(4) Segment information (continued)

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2014 and 2013 is set out below:

	Television		Internet and Multimedia		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,245,992	1,525,595	364,347	347,856	55,319	58,303	1,665,658	1,931,754
Inter-segment revenue	20,396	20,720	248	248	14,450	9,309	35,094	30,277
Reportable segment revenue	1,266,388	1,546,315	364,595	348,104	69,769	67,612	1,700,752	1,962,031
Reportable segment results ("EBITDA")	34,210	124,975	156,037	125,145	(97,029)	(98,641)	93,218	151,479
Reportable segment results ("EBIT")	(101,362)	(14,303)	67,452	33,471	(99,386)	(104,900)	(133,296)	(85,732)
Inter-segment elimination							(5,487)	(2,106)
Loss from operations							(138,783)	(87,838)
Interest income							69	476
Finance costs, net							(519)	(2,695)
Non-operating (expenses)/income							(66)	61
Income tax							(191)	(2,914)
Loss for the year							(139,490)	(92,910)

(4) Segment information (continued)

	Segment assets	
	2014	2013
	HK\$'000	HK\$'000
Television	891,958	836,903
Internet and Multimedia	351,680	379,579
Unallocated assets	122,084	245,978
	1,365,722	1,462,460
Interest in associate	-	-
Deferred tax assets	302,949	311,373
	1,668,671	1,773,833

	Segment liabilities	
	2014	2013
	HK\$'000	HK\$'000
Television	403,494	362,700
Internet and Multimedia	93,614	93,297
Unallocated liabilities	93,322	90,953
	590,430	546,950
Current taxation	179	232
Deferred tax liabilities	25,530	34,629
	616,139	581,811

Geographical segments

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

(5) Loss before taxation

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

	2014	2013
	HK\$'000	HK\$'000
Depreciation		
- assets held for use under operating leases	33,874	33,993
- other assets	192,640	203,218
	226,514	237,211
Amortisation of programming library*	118,934	91,304
Impairment losses		
- trade and other receivables	3,404	6,219
- property, plant and equipment	998	1,390
- programming library	2,101	2,733
Reversal of impairment losses on trade and other receivables	(2,796)	(764)
Salaries, wages and other benefits	628,742	650,034
Contributions to defined contribution retirement plans	34,325	34,060
Cost of inventories	10,697	17,311
Auditors' remuneration – audit service		
- charge for the year	3,044	2,942
- under-provision in respect of prior years	81	99
Net loss/(gain) on disposal of property, plant and equipment	67	(61)

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

(6) Income tax in the consolidated statement of profit or loss

	2014	2013
	HK\$'000	HK\$'000
Current tax – Overseas	866	1,116
Deferred taxation (income)/expense	(675)	1,798
	191	2,914

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2013: 16.5%) for the year ended December 31, 2014. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

(7) Other comprehensive income

Reclassification adjustment relating to components of other comprehensive income

	2014	2013
	HK\$'000	HK\$'000
Exchange reserve:		
Exchange difference on translation of foreign subsidiaries' financial statements	-	569
Net movement in the exchange reserve during the year recognised in other comprehensive income	-	569

(8) Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$139 million (2013: HK\$93 million) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2013: 2,011,512,400).

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company of HK\$139 million (2013: HK\$93 million) and the weighted average number of ordinary shares of 2,011,512,400 (2013: 2,011,512,400) after adjusting for the effects of all dilutive potential ordinary shares.

(9) Accounts receivable from trade debtors

An ageing analysis of accounts receivable from trade debtors (net of allowance for doubtful debts) is set out as follows:

	2014	2013
	HK\$'000	HK\$'000
0 to 30 days	20,391	19,722
31 to 60 days	21,009	21,289
61 to 90 days	15,920	16,036
Over 90 days	20,174	23,073
	77,494	80,120

The Group has a defined credit policy. The general credit terms allowed range from 0 to 90 days.

(10) Amounts due to trade creditors

An ageing analysis of amounts due to trade creditors is set out as follows:

	2014	2013
	HK\$'000	HK\$'000
0 to 30 days	5,497	9,584
31 to 60 days	20,315	31,069
61 to 90 days	13,929	14,233
Over 90 days	30,093	34,649
	69,834	89,535

(11) Review of Financial Statements

The financial results for the year ended December 31, 2014 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2014 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended December 31, 2014, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of one deviation, namely, Code Provision A.2.1 which provides for the roles of the chairman and chief executive (or chief executive officer) to be performed by different individuals. The deviation is deemed appropriate as it is considered to be more efficient to have one single person to hold both positions. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with more than half of them being Independent Non-executive Directors (“INEDs”).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Friday, May 8, 2015 to Monday, May 11, 2015, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to ascertain Shareholders’ rights for the purpose of attending and voting at the forthcoming Annual General Meeting to be held on May 11, 2015, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Thursday, May 7, 2015.

By Order of the Board

Kevin C. Y. Hui

Company Secretary

Hong Kong, February 26, 2015

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. William J. H. Kwan and Mr. Paul Y. C. Tsui, together with four INEDs, namely, Mr. Herman S. M. Hu, Mr. Roger K. H. Luk, Mr. Sherman S. M. Tang and Mr. Patrick Y. W. Wu.