



有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097



2020
INTERIM REPORT

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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*)

Mr. TSANG On Yip, Patrick

Mr. HOONG Cheong Thard

Mr. LIE KEN JIE Remy Anthony Ket Heng

Ms. NG Yuk Mui Jessica

Executive Director

Mr. Andrew Wah Wai CHIU

Independent Non-executive Directors

Mr. LAM Kin-Fung, Jeffrey *GBS, JP*

Dr. 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

Dr. 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 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

REGISTERED OFFICE

7th Floor, Cable TV Tower,
9 Hoi Shing Road,
Tsuen Wan,
Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE WEBSITE

www.i-cablecomm.com

STOCK CODE

01097

HIGHLIGHTS

- With the effective cost saving initiatives, the financial performance of i-CABLE Communications Limited (the “Company” or “i-CABLE”), its subsidiaries and consolidated structured entities (collectively the “Group”) for the six months ended 30 June 2020 was improved as compared to the last corresponding period.
- Since Forever Top (Asia) Limited (“Forever Top” or the “Controlling Shareholder”) became the controlling shareholder of the Company in September 2017, with the implementation of efficacious cost controls and reallocation of resources among business units to maximise the value of the resources devoted, the operating expenses shrank during the last two consecutive years and during the six months ended 30 June 2020. The operating expenses decreased from approximately HK\$770 million for the six months ended 30 June 2019 to approximately HK\$680 million for the six months ended 30 June 2020.
- The number of broadband customers in June 2020 increased by approximately 16% as compared to June 2019. Revenue from the telecommunications segment increased by approximately HK\$5 million from approximately HK\$186 million for the six months ended 30 June 2019 to approximately HK\$191 million for the six months ended 30 June 2020. The increase was contributed by the revenue streams from the various collaborations with China Mobile Hong Kong Company Limited (“CMHK”).
- On the pay television (“Pay TV”) subscription business front, the customer base contracted during the six months ended 30 June 2020. However, with the renowned and influential i-CABLE news distributing credible news to the public, the number of new subscribers has demonstrated an improvement during the period.
- Segment results of both the media segment and the telecommunications segment demonstrated improvements during the six months ended 30 June 2020 as compared to the last corresponding period.

HIGHLIGHTS *(continued)*

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue	524,893	571,880
Loss from operations	(155,053)	(197,908)
Loss for the period	(176,223)	(209,600)
	HK cents	HK cents
Basic loss per share	(2.5)	(3.3)
Diluted loss per share	(2.5)	(3.3)

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Total assets	1,633,358	1,878,747
Total liabilities	(1,169,769)	(1,238,730)
Total equity	463,589	640,017
Net gearing ratio <i>(Note)</i>	121%	68%

Note:

Net gearing ratio represents total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total equity.

BUSINESS REVIEW

With the effective cost saving initiatives, the revenue streams from the various collaborations with CMHK and the sprouting of the telecommunications service, the financial performance of the Group in the first half of 2020 was improved as compared to the last corresponding period. On the subscription business front, keen competition in the market has continued to contract the subscription customer base of Pay TV service while the number of subscribers of the broadband service demonstrated a continuous growth during the period. With efficacious marketing campaign, the advertising revenue from Pay TV and Hong Kong Open TV ("Open TV") improved during the period under review.

Customers ('000)	June 2020	June 2019
Television	754	786
Broadband	190	164
Telephony	78	85

In the first half of 2020, with the blazing competition in the market, Pay TV service continued to confront the contraction of subscription customer base. In addition to the social events during the period inflaming negative sentiment on the economy, the subscription average revenue per user ("ARPU") of Pay TV service decreased during the period.

The channel line-up of Pay TV service was refined in the fourth quarter of 2019, including the rearrangement of channels to achieve higher efficiency and the reinforcement of Pay TV's position as the best choice of news and infotainment platform, in order to achieve resource optimisation, provision of more targeted content to subscribers and highlight our unique strength of genres.

For broadband service, the Group recorded an increase in customer base as at 30 June 2020 as compared to that as at 30 June 2019. The growth was attributable to the timely adoption of effective sales and marketing strategies, recognition from the market for the quality of network service, as well as the continuous network upgrade. Service subscription packages with new content and combination were also launched to enhance loyalty of existing customers.

BUSINESS REVIEW *(continued)*

The Group currently owns and operates a territory-wide telecommunications network which covers over two million households in Hong Kong. In the first half of 2020, the Group continued to expand its core network of fibre coverage in Hong Kong. Broadcasting and network equipment was upgraded to improve the transmission quality and service availability. The Group continued to expand the network coverage of Gigabit-capable Passive Optical Networks (“GPON”) to provide fibre to the home (“FTTH”) high-speed internet services to subscribers. The Group strives for the increasing of core network capacity to meet new business requirements and prepare for future growth of the Group.

On 5 December 2018, i-CABLE Network Operations Limited, an indirect wholly-owned subsidiary of the Company, entered into a network development agreement (the “Network Development Agreement”) with CMHK. The network was ready in April 2019 and more revenue was generated from the various collaborations with CMHK including network development and service provisions during the six months ended 30 June 2020 as compared to the last corresponding period.

Although airtime sales business was impacted by economic uncertainties and negative market sentiment, the advertising revenue from Pay TV and Open TV recorded an improvement during the six months ended 30 June 2020 as compared to the last corresponding period. Integrated marketing solutions were introduced to capture more business opportunities and expand revenue sources.

The Group has successfully won the multi-year contract with MTR Corporation Limited for the exclusive commercial airtime sales distributor and content provider for the MTR In-train TV for the period from 2019 to 2023. The services will be further expanded to the Island Line, Tsuen Wan Line, Tseung Kwan O Line, as well as the Tuen Ma Line Phase I, on top of the five MTR lines currently covered. It is expected that the Group will benefit from the expansion of new lines when they are put into service in the future.

With the development of technology and smart city, we are committed to expanding cross-platform services and transforming our business from conventional business models to the provision of diversified digital services. A brand-new application, i-CABLE News OTT (over-the-top) App, was rolled out in September 2019. The launch of “i-CABLE News OTT App” as the Hong Kong’s first 24-hour high dynamic range (HDR) live news OTT application has set an important milestone and marked a giant leap forward in the Group’s new media business.

BUSINESS REVIEW *(continued)*

In June 2020, i-CABLE introduced enhanced version of its mobile application, i-CABLE Mobile, by adding two free television channels — Hong Kong Open TV (Channel 77) and Hong Kong International Business Channel (Channel 76). In addition, a wider range of content, including free and paid content, is available on-demand. While compatible with both iOS and Android smartphones and tablets, viewers can watch their favourite programmes at all times on-the-go.

The Group will continue to introduce other genres of content to the platform of mobile application in the second half of 2020. The Group also has plans to extend the application to overseas market in 2020 and expand the downloads in the future.

Programming

As an established and popular betting channel, Channel 18 of Pay TV platform has maintained good reputation for viewers with its professional production and commentaries. Programme production of the channel has been strengthened to target younger customers. “Be a Big Punter” (我要做大戶) delivers specialised betting information and analysis, while “Racing Popularity” (人氣馬場) presents special features and entertaining stories of the racing circle. Mobile app “Racing GPS” (賽馬GPS), provides access to the racing channel on the new media, professional racing information and analysis and a membership scheme with exclusive events and online interaction, and offers a fascinating experience in horse racing events.

i-CABLE further reinforces its repertoire of movies by introducing an exclusive European movie channel in May 2020: My Cinema Europe, offering viewers with a greater choice of European films featuring exclusive first-run box office hits, the Oscar-nominated and award-winning movies, festival hits and great classics from Germany, England, Ireland, Italy, France, Spain, Sweden, Norway and other European countries round-the-clock.

Programming *(continued)*

On the sports front, i-CABLE and beIN Asia Pacific have extended their collaboration to offer live coverage of the UEFA Champions League (歐洲聯賽冠軍盃) and the UEFA Europa League (歐霸盃足球賽) to Pay TV viewers. In addition to its current top football leagues offering, the Group continues to feature prominent football leagues from around the world with professional analysis and Cantonese commentary to its audience, including European Qualifiers to EURO 2020 (歐洲國家盃外圍賽), Serie A (意大利甲組足球聯賽), Ligue 1 (法國甲組足球聯賽), J.League (日本職業足球聯賽), Australia's Hyundai A-League (澳洲職業足球聯賽), Turkish Süper Lig (土耳其超級足球聯賽), Superliga Argentina (阿根廷甲組足球聯賽), German Cup (德國盃足球賽), International Friendly Match (國際足球友誼賽), Audi Cup (拜仁慕尼黑四角賽), FIFA U-17 World Cup (世少盃), Major League Soccer 2020 (美國職業足球聯賽) and so forth. In February 2020, i-CABLE secured its carriage of J.League from 2020 to 2022 with exclusive broadcast rights in Hong Kong bringing viewers one of the most popular football actions in Asia in the coming three seasons. Besides, in June 2020, i-CABLE also secured the Russian Premium League (俄羅斯超級足球聯賽) broadcasting rights in Hong Kong from 2020 to 2021 seasons.

A wide variety of world-class competitions in other sports arena were also brought to viewers including FIBA Women's 2020 Olympics Qualifying Tournaments (2020東京奧運女子籃球資格賽), FIBA 2021 Continental Cup Qualifiers (2021男子籃球錦標賽資格賽), CBA (中國職業籃球聯賽), ASEAN Basketball League (東南亞職業籃球聯賽), ITTF World Junior Table Tennis Championships (世界青少年乒乓球錦標賽), ITTF World Tour Series (世界職業乒乓球巡迴賽), BWF Badminton World Series (世界羽毛球巡迴賽), FIG Gymnastics World Cup (世界盃體操賽), Japanese National Figure Skating Championships (日本花樣滑冰錦標賽) etc.

Since the rebranding of free TV Channel 77 to "Hong Kong Open TV", the Group's self-produced programmes focus more on infotainment programmes with choices that cater for local communities. Programme highlights include "Mega Showdown" (開嚟見我), "Road to Healthiness" (Fit 開有條路), "30 Minute Meals" (三十分鐘大放鏞), "Action 77" (開工大吉77), "Chef's Tales" (滋味人生), "Fortune Secrets" (開運秘笈), "Finding a place call home" (宜居住遊行), Fivestar Sisters (五星級絲打), Creative PLUS (我是創作+), Greatest Hits (一曲走天涯), Beauty and the B&B (美少女日本民宿), Courageously (是敢的), Who Got Kill Last Night (狼人開電視), Pet Shop Keeper (貓店長), Steps to Achieve My Dream (我的志願速成班), Hong Kong Phenomenon (香港奇則), Best of Cha Chaan Teng (茶餐廳龍虎榜), Drink Around Hong Kong (酒勻全香港) and Police Story (守護香港的故事). The Group is committed to bringing quality programmes to audience with new knowledge and perspectives.

An integrated general entertainment channel "Family Entertainment Channel" (綜合娛樂台) was launched on Pay TV featuring news, drama, finance, entertainment news and lifestyle programmes.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) REVIEW OF RESULTS

Revenue of the Group for the six months ended 30 June 2020 decreased by approximately HK\$47 million or 8% to approximately HK\$525 million (for the six months ended 30 June 2019: HK\$572 million).

Cost of services of the Group for the six months ended 30 June 2020, including programming costs, network expenses and cost of sales, decreased by approximately HK\$68 million to approximately HK\$523 million (for the six months ended 30 June 2019: HK\$591 million). Programming costs and network expenses decreased by approximately 13% and 5% respectively and cost of sales decreased by approximately 21% as compared to the last corresponding period. Selling, general and administrative and other operating expenses of the Group decreased by approximately 12% as compared to the last corresponding period.

Loss from operations of the Group for the six months ended 30 June 2020 was approximately HK\$155 million, representing a decrease of approximately 22%, as compared with the loss from operations of approximately HK\$198 million for the corresponding period in 2019.

Finance costs of the Group for the six months ended 30 June 2020 increased by approximately HK\$10 million or 83% to approximately HK\$22 million (for the six months ended 30 June 2019: HK\$12 million), of which approximately HK\$14 million (for the six months ended 30 June 2019: HK\$2 million) was interest expenses on unlisted long-term convertible bonds ("LCS").

After the recognition of interest income, finance costs, non-operating income/(expense) and income tax, the Group recorded a net loss of approximately HK\$176 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK\$210 million). Basic and diluted loss per share for the six months ended 30 June 2020 were approximately HK2.5 cents (basic and diluted loss per share for the six months ended 30 June 2019: HK3.3 cents).

(B) SEGMENTAL INFORMATION

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

Media

The media segment (previously named as the “television segment”, together with the “other segment”, now renamed as the “media segment”) includes operations related to the television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, theatrical release and other related businesses.

Revenue derived from the media segment for the six months ended 30 June 2020 decreased by approximately 13% to approximately HK\$334 million (for the six months ended 30 June 2019: HK\$386 million) on lower subscription revenue.

Operating expenses before depreciation and amortisation of other intangible assets incurred from the media segment for the six months ended 30 June 2020 decreased by approximately 12% to approximately HK\$429 million (for the six months ended 30 June 2019: HK\$486 million). As referred to Note 7 to the condensed consolidated interim financial information of this report, media segment loss before depreciation and amortisation of other intangible assets for the six months ended 30 June 2020 decreased to approximately HK\$95 million (for the six months ended 30 June 2019: a loss of approximately HK\$100 million) mainly due to net effect of the decrease in programming costs and the decrease in revenue.

Telecommunications

The telecommunications segment (previously named as the “internet and multimedia segment”, now renamed as the “telecommunications segment”) includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing, network construction, mobile agency service as well as other related businesses.

Revenue derived from the telecommunications segment for the six months ended 30 June 2020 increased by approximately 3% to approximately HK\$191 million (for the six months ended 30 June 2019: HK\$186 million).

(B) SEGMENTAL INFORMATION *(continued)*

Telecommunications *(continued)*

Operating expenses before depreciation and amortisation of other intangible assets incurred from the telecommunications segment for the six months ended 30 June 2020 decreased by approximately 9% to approximately HK\$104 million (for the six months ended 30 June 2019: HK\$114 million). As referred to Note 7 to the condensed consolidated interim financial information of this report, telecommunications segment profit before depreciation and amortisation of other intangible assets for the six months ended 30 June 2020 increased by approximately 21% to approximately HK\$87 million (for the six months ended 30 June 2019: HK\$72 million).

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group had cash and bank balances and restricted bank balances of approximately HK\$85 million and HK\$11 million respectively as compared to approximately HK\$242 million and HK\$18 million respectively as at 31 December 2019. The cash and bank balances and restricted bank balances of the Group as at 30 June 2020 and 31 December 2019 are mainly denominated in Hong Kong Dollar ("HK\$"). The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total equity, was approximately 121% (31 December 2019: 68%). The capital structure of the Group was approximately 59% debt and approximately 41% equity as at 30 June 2020, representing an increase of approximately 7% and a decrease of approximately 7% respectively as compared with approximately 52% debt and approximately 48% equity as at 31 December 2019.

Consolidated net asset value of the Group as at 30 June 2020 was approximately HK\$464 million, representing a decrease of approximately 28%, as compared with consolidated net asset value of the Group as at 31 December 2019 of approximately HK\$640 million.

The carrying amount of interest-bearing borrowings denominated in HK\$ as at 30 June 2020 was HK\$295 million (31 December 2019: HK\$345 million), which carries interest at variable rates and was repayable on demand. The committed borrowing facilities available to the Group but not drawn as at 30 June 2020 amounted to HK\$105 million (31 December 2019: HK\$55 million).

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

(continued)

The carrying amount of the LCS denominated in HK\$ as at 30 June 2020 was approximately HK\$361 million (31 December 2019: HK\$353 million). Details of the LCS were set out in the announcements of the Company dated 25 January 2019 and 4 June 2019 and the circular of the Company dated 8 April 2019 (the "Circular").

On 4 June 2019, the rights issue on the basis of three (3) new ordinary shares of the Company (the "Rights Shares") for every four (4) existing shares of the Company (the "Shares") then held at the subscription price of HK\$0.1 per Rights Share (the "Rights Issue") was completed and 928,603,364 Rights Shares have been allotted and issued by the Company to the shareholders of the Company (the "Shareholders") who accepted and validly applied paid for the Rights Shares. The net proceeds raised from the Rights Issue amounted to approximately HK\$84.5 million. Besides, on 4 June 2019, the issuance of the LCS with the principal amount of HK\$568 million by the Company to the Controlling Shareholder was completed. The LCS would be convertible into 4,544,000,000 new Shares upon full conversion of the LCS based on the initial conversion price of HK\$0.125 per conversion share and the coupon rate of the LCS is 2.0% per annum and payable quarterly. During the six months ended 30 June 2020, there had not been any conversion of the LCS. Details of the Rights Issue were set out in the announcements of the Company dated 25 January 2019, 27 May 2019, 31 May 2019 and 4 June 2019, the Circular and the prospectus of the Company dated 9 May 2019 (the "Prospectus"). Details of the LCS were set out in the announcements of the Company dated 25 January 2019 and 4 June 2019 and the Circular.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(continued)*

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

Intended use of net proceeds raised from the Rights Issue and the issuance of the LCS as disclosed in the Circular and the Prospectus	Actual use of net proceeds up to 31 December 2019 as originally intended	Actual use of net proceeds during the six months ended 30 June 2020 as originally intended	Intended use of unutilised net proceeds raised from the Rights Issue and the issuance of the LCS as at 30 June 2020 and expected timeline
Approximately HK\$652 million comprising:	Approximately HK\$410 million	Approximately HK\$183 million	Approximately HK\$59 million
(i) Approximately HK\$140 million for investments in capital expenditure including:	(i) Approximately HK\$81 million;	(i) Approximately HK\$29 million;	(i) Approximately HK\$30 million for investment in capital expenditure within 18 months from the completion of the Rights Issue and the issuance of the LCS (the "Completion");
(i)(a) approximately HK\$41 million for the enhancement of network infrastructure;	(i)(a) approximately HK\$29 million;	(i)(a) approximately HK\$12 million;	
(i)(b) approximately HK\$20 million for the upgrade of broadcasting equipment;	(i)(b) approximately HK\$2 million;	(i)(b) approximately HK\$4 million;	
(i)(c) approximately HK\$36 million for the upgrade of converters and modems;	(i)(c) approximately HK\$10 million;	(i)(c) approximately HK\$10 million;	
(i)(d) approximately HK\$43 million for capital expenditure in leasehold improvement, furniture and fixture and office equipment;	(i)(d) approximately HK\$40 million;	(i)(d) approximately HK\$3 million;	

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(continued)*

Intended use of net proceeds raised from the Rights Issue and the issuance of the LCS as disclosed in the Circular and the Prospectus	Actual use of net proceeds up to 31 December 2019 as originally intended	Actual use of net proceeds during the six months ended 30 June 2020 as originally intended	Intended use of unutilised net proceeds raised from the Rights Issue and the issuance of the LCS as at 30 June 2020 and expected timeline
(ii) Approximately HK\$350 million for acquisition of programmes and programme production including:	(ii) Approximately HK\$229 million;	(ii) Approximately HK\$92 million;	(ii) Approximately HK\$29 million for acquisition of programmes and programme production within 18 months from the Completion; and
(ii)(a) approximately HK\$161 million for the funding requirement of acquired channels;	(ii)(a) approximately HK\$128 million;	(ii)(a) approximately HK\$33 million;	
(ii)(b) approximately HK\$100 million for the funding requirement of live programmes, movies and dramas and other entertainment programmes;	(ii)(b) approximately HK\$33 million;	(ii)(b) approximately HK\$38 million;	
(ii)(c) approximately HK\$89 million for the funding requirement of self-produced programmes; and	(ii)(c) approximately HK\$68 million; and	(ii)(c) approximately HK\$21 million; and	
(iii) Approximately HK\$162 million for general working capital including but not limited to salaries and benefits, rental and utilities, government/music licence fees, other general and administrative expenses	(iii) Approximately HK\$100 million	(iii) Approximately HK\$62 million	(iii) HK\$Nil

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

(continued)

The net proceeds raised from the Rights Issue and the issuance of the LCS that have been utilised were used according to the intentions disclosed in the Circular and the Prospectus. They will not be applied towards the repayment of the loan facility dated 25 January 2019 as the Company did not draw any loan under it.

A total of approximately HK\$55 million of net proceeds raised from the Rights Issue and the issuance of the LCS which were not yet utilised according to the intended use of the proceeds were parked in various investments aiming for maximising the returns generated from the idle funds of the Group. Each of the investment is less than 5% of the total assets of the Group as at (i) the date of the respective acquisitions and (ii) 30 June 2020.

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

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

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

(continued)

During the six months ended 30 June 2020, capital expenditure on property, plant and equipment amounted to approximately HK\$56 million (for the six months ended 30 June 2019: HK\$66 million), the additions to right-of-use assets was approximately HK\$9 million (for the six months ended 30 June 2019: upon the adoption of Hong Kong Financial Reporting Standard 16 “Leases” (“HKFRS 16”), the Group recognised right-of-use assets amounted to approximately HK\$199 million as at 1 January 2019 and there was no addition to right-of-use assets during the six months ended 30 June 2019 since the adoption of the HKFRS 16) and the additions to programming library was approximately HK\$22 million (for the six months ended 30 June 2019: HK\$18 million).

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

(D) CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any contingent liabilities.

(E) GUARANTEES

As at 30 June 2020, a corporate guarantee had been provided by the Company to a bank of HK\$400 million (31 December 2019: HK\$400 million) in respect of the facility of borrowing up to HK\$400 million (31 December 2019: HK\$400 million) to a wholly-owned subsidiary of the Company, of which HK\$295 million (31 December 2019: HK\$345 million) was utilised by the subsidiary of the Company.

As at 30 June 2020, the Group had made an arrangement with a bank to provide a performance bond to a counterparty amounting to approximately HK\$34 million (31 December 2019: two separate performance bonds were provided to counterparties amounting to approximately HK\$36 million), of which approximately HK\$4 million (31 December 2019: HK\$6 million) was secured by bank deposits. The performance bond is to guarantee in favour of the counterparty the Group’s performance in fulfilling the obligations under a contract.

(F) HUMAN RESOURCES

The Group had 1,365 employees as at 30 June 2020 (30 June 2019: 1,490). Total gross salaries and related costs before capitalisation and incurred for the six months ended 30 June 2020 amounted to approximately HK\$229 million (for the six months ended 30 June 2019: HK\$287 million). The remuneration of the directors of the Company (the “Directors”) and the employees of the Group is determined with reference to their qualifications, experience, duties and responsibilities with the Group, as well as the Group’s performance and the prevailing market conditions. Besides, the Group regularly provides training courses for the employees of the Group to meet their needs. Pursuant to the share option scheme of the Company adopted on 24 May 2018 (the “Share Option Scheme”), share options of the Company (the “Share Options”) may be granted to the Directors and eligible employees of the Group to subscribe for Shares.

(G) OPERATING ENVIRONMENT

In view of the intensifying competition from OTT platforms and digital media, the Group’s revenue in the first half of 2020 was mainly affected by the decline of subscription revenue.

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

For broadband service, despite a saturated market with price war triggered by the incumbents, we are glad to see an increase of approximately 16% compared with 164,000 for the ending subscriber base of the first half of 2019. This improvement was mainly due to the upgrade of our network to provide high speed GPON services, and further enhancement in churn management following the revamp of loyalty programmes for our customers.

(H) CHARGE ON GROUP ASSETS

As at 30 June 2020, restricted bank balances of approximately HK\$11 million (31 December 2019: HK\$18 million) were made by the Group to secure certain banking facilities granted to the Group.

(I) MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

There was no material acquisition or disposal of subsidiaries, associated companies and joint ventures or significant investments of the Group, which would have been required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), for the six months ended 30 June 2020.

(J) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to invest in property, plant and equipment and programming library as required by its business operations, and explore the market and identify any business opportunities which will be beneficial to its growth and development, enhance its profitability, and strive for better return to the Shareholders.

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

(K) OUTLOOK

Since Forever Top became the Controlling Shareholder in 2017 as a result of being the underwriter of the open offer completed in September 2017, the Company has been focusing on formulating an organisational restructuring which included, among other things, (i) cost saving initiative; (ii) introduction of new contents and channels; (iii) new television content co-operation models; and (iv) strategic review on possible restructuring of the Group’s business portfolio to achieve cost saving and improve profitability, as well as the financial performance of the Group. As part of a strategic review, the Group will continue to evaluate the possibility of forming partnership or disposing its loss making operations to reduce the cash drain on the business. However, there is no certainty that these may lead to any satisfactory conclusion for any transactions.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

(K) OUTLOOK *(continued)*

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

(K) OUTLOOK *(continued)*

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

After the outbreak of the Coronavirus Disease 2019 (“COVID-19 Outbreak”) in early 2020, a series of precautionary and control measures have been and will continue to be implemented in Hong Kong. The Group will pay close attention to the development of the COVID-19 Outbreak and its impact to the Group and take proactive measures as appropriate.

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

(L) EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material events affecting the Group’s financial performance and/or financial position significantly that have occurred since 30 June 2020 and up to the date of this interim report.



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 23 to 50, 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 30 June 2020 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated 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, 24 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	6, 7	524,893	571,880
Cost of services			
— Programming costs		(325,489)	(373,799)
— Network expenses		(152,655)	(161,144)
— Cost of sales		(44,672)	(56,269)
Selling, general and administrative and other operating expenses		(157,130)	(178,576)
Loss from operations		(155,053)	(197,908)
Interest income		360	1,046
Finance costs		(21,544)	(12,443)
Non-operating income/(expense)		243	(143)
Loss before taxation	8	(175,994)	(209,448)
Income tax	9	(229)	(152)
Loss for the period		(176,223)	(209,600)
Attributable to:			
Equity shareholders of the Company		(176,223)	(209,600)
Loss per share	10		
Basic		(2.5) HK cents	(3.3) HK cents
Diluted		(2.5) HK cents	(3.3) HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period	(176,223)	(209,600)
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation difference	(205)	72
Total comprehensive income for the period	(176,428)	(209,528)
Attributable to:		
Equity shareholders of the Company	(176,428)	(209,528)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Unaudited	Audited
		30 June	31 December
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		749,349	787,072
Right-of-use assets		114,759	124,308
Programming library		75,929	80,993
Other intangible assets		17,752	19,340
Contract acquisition costs		9,916	10,174
Interest in an associate		–	–
Deferred tax assets	11	300,525	300,525
Deposits, prepayments and other receivables		26,864	27,561
		1,295,094	1,349,973
Current assets			
Inventories		9,925	12,020
Trade receivables and contract assets	12	82,284	106,474
Deposits, prepayments and other receivables		80,563	76,862
Contract acquisition costs		14,706	18,433
Financial assets at fair value through profit or loss		55,062	54,766
Restricted bank balances		10,550	18,320
Cash and bank balances		85,174	241,899
		338,264	528,774
Total assets		1,633,358	1,878,747

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2020

	<i>Note</i>	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
EQUITY			
Capital and reserves			
Share capital	14	7,928,975	7,928,975
Reserves		(7,465,386)	(7,288,958)
Total equity		463,589	640,017
LIABILITIES			
Non-current liabilities			
Convertible bonds		360,503	352,587
Lease liabilities		76,404	83,280
Other non-current liabilities		22,068	22,068
		458,975	457,935
Current liabilities			
Trade payables	13	40,036	39,220
Accrued expenses and other payables		211,137	230,242
Receipts in advance and customers' deposits		133,180	134,671
Interest-bearing borrowings		295,000	345,000
Lease liabilities		31,373	31,599
Current tax liabilities		68	63
		710,794	780,795
Total liabilities		1,169,769	1,238,730
Total equity and liabilities		1,633,358	1,878,747

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — 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	Equity component of convertible bonds HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	7,928,975	13,985	2,527	(7,548,632)	18,881	224,281	(7,288,958)	640,017
Loss for the period	-	-	-	(176,223)	-	-	(176,223)	(176,223)
Other comprehensive income	-	-	(205)	-	-	-	(205)	(205)
Total comprehensive income for the period	-	-	(205)	(176,223)	-	-	(176,428)	(176,428)
Transactions with owners								
Transfer of reserve upon lapse of share option	-	-	-	1,265	(1,265)	-	-	-
Total transactions with owners	-	-	-	1,265	(1,265)	-	-	-
Balance at 30 June 2020 (unaudited)	7,928,975	13,985	2,322	(7,723,590)	17,616	224,281	(7,465,386)	463,589

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

For the six months ended 30 June 2020 — 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	Equity component of convertible bonds HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	7,844,472	13,985	2,601	(7,153,556)	16,038	–	(7,120,932)	723,540
Loss for the period	–	–	–	(209,600)	–	–	(209,600)	(209,600)
Other comprehensive income	–	–	72	–	–	–	72	72
Total comprehensive income for the period	–	–	72	(209,600)	–	–	(209,528)	(209,528)
Transactions with owners								
Issue of convertible bonds	–	–	–	–	–	224,281	224,281	224,281
Shares issued under rights issue	92,860	–	–	–	–	–	–	92,860
Transaction costs incurred in respect of rights issue	(8,357)	–	–	–	–	–	–	(8,357)
Share option expense	–	–	–	–	4,732	–	4,732	4,732
Transfer of reserve upon lapse of share option	–	–	–	253	(253)	–	–	–
Total transactions with owners	84,503	–	–	253	4,479	224,281	229,013	313,516
Balance at 30 June 2019 (unaudited)	7,928,975	13,985	2,673	(7,362,903)	20,517	224,281	(7,101,447)	827,528

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Loss before taxation	(175,994)	(209,448)
Adjustments for:		
Finance costs	21,544	12,443
Interest income	(360)	(1,046)
Depreciation	111,793	114,729
Amortisation	46,943	62,261
Others	144	4,432
Operating profit/(loss) before changes in working capital	4,070	(16,629)
Changes in working capital	5,074	(26,233)
Cash generated from/(used in) operations	9,144	(42,862)
The People's Republic of China ("PRC") tax paid	(224)	(150)
Interest elements of lease payments	(3,367)	(4,127)
Net cash from/(used in) operating activities	5,553	(47,139)
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,133)	(68,836)
Interest received	826	1,450
Other investing activities	(30,255)	(19,507)
Net cash used in investing activities	(93,562)	(86,893)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities		
Repayment of interest-bearing borrowings	(50,000)	–
Decrease in restricted bank balances	7,770	–
Proceeds from issue of shares upon rights issue	–	92,860
Transaction costs upon issue of shares under rights issue	–	(8,357)
Proceeds from issue of convertible bonds	–	568,000
Principal elements of lease payments	(16,179)	(13,408)
Finance costs paid	(10,262)	(6,444)
Net cash (used in)/from financing activities	(68,671)	632,651
Net (decrease)/increase in cash and cash equivalents	(156,680)	498,619
Cash and cash equivalents at 1 January	241,899	177,815
Effect of foreign exchange rate changes	(45)	17
Cash and cash equivalents at 30 June	85,174	676,451

1. General

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 7th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The condensed consolidated interim financial information for the six months ended 30 June 2020 (the “Interim Financial Information”) is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. The Interim Financial Information has been approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 24 August 2020.

The financial information relating to the year ended 31 December 2019 that is included in the Interim Financial Information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Basis of preparation

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

This Interim Financial Information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

During the period ended 30 June 2020, the Group incurred a net loss of approximately HK\$176 million (2019: HK\$210 million) and, as at 30 June 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$373 million (31 December 2019: HK\$252 million). Included in its current liabilities was an interest-bearing borrowing of HK\$295 million drawn from a banking facility of HK\$400 million which is immediately repayable on demand and subject to review at any time from the date of this interim report.

2. Basis of preparation *(continued)*

In preparing the Interim Financial Information, the Directors have given careful consideration of the liquidity requirement for the Group's operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from 30 June 2020. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

1. The banking facility was renewed in mid-March 2019. As the facility is subject to review at any time after mid-March 2020, the Directors expect the revolving bank loan facility will be successfully renewed such that the outstanding loan balance of HK\$295 million will be rolled over with substantially the same terms as the current facility, which also include the bank's overriding right to demand repayment.
2. There have been continuing progress and achievements of the organisational restructuring which include cost saving initiatives, introduction of new contents, cooperation model with other partners and strategic review of its business portfolio.
3. Forever Top (Asia) Limited ("Forever Top"), a company holding approximately 43.2% shareholding of the Company, has also confirmed its intention to provide further financial support, from time to time as and when is necessary to the Group for a period of not less than twelve months from 30 June 2020.

Based on the cash flow projections and taking into account reasonable possible downside changes to the cash flow assumptions in the cash flow projections for the period ending 30 June 2021, the continuous availability of existing banking facility, and from time to time as and when is necessary, the financial support from Forever Top, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2020. Accordingly, the directors of the Company consider it is appropriate to prepare the Interim Financial Information on a going concern basis.

3. Significant accounting policies

The significant accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the adoption of the amendments to standards and revised framework effective for the financial year ending 31 December 2020, and the accounting policy of government grants.

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

During the period ended 30 June 2020, the Group has adopted the following amendments to standards and revised framework which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Report 2018	Revised Conceptual Framework for Financial Reporting

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

3. Significant accounting policies *(continued)*

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

The following new standard and amendments to standards have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2021 but have not been early adopted by the Group:

HKFRS 17	Insurance Contracts ⁽³⁾
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ⁽⁵⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽³⁾
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use ⁽²⁾
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract ⁽²⁾
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle ⁽²⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 June 2020

⁽²⁾ Effective for accounting periods beginning on or after 1 January 2022

⁽³⁾ Effective for accounting periods beginning on or after 1 January 2023

⁽⁴⁾ Effective date is to be determined

⁽⁵⁾ Effective for business combinations for which the acquisition date is on or after the beginning of the first accounting periods beginning on or after 1 January 2022

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

3. Significant accounting policies *(continued)*

(c) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants are deducted in reporting the related expenses, when appropriate.

4. Estimates and judgements

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. Financial risk management and fair values of financial instruments

(a) Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since 31 December 2019.

(b) Liquidity risk

Compared to the year ended 31 December 2019, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5. Financial risk management and fair values of financial instruments *(continued)*

(c) Fair values of financial instruments

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

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

5. Financial risk management and fair values of financial instruments *(continued)*

(c) Fair values of financial instruments *(continued)*

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2020				
Assets				
Financial assets at fair value through profit or loss				
— Money market fund	55,062	–	–	55,062
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
— Money market fund	54,766	–	–	54,766

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 30 June 2020 and 31 December 2019.

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

6. Revenue

Revenue comprises principally subscription, service and related fees for television, broadband internet access and telephony services. It also includes advertising revenue net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network leasing income, network construction income, mobile agency income and other telecommunications income.

7. Segment information

The Group managed its businesses according to the nature of services provided. The Group's chief operating decision maker (the "CODM"), which comprises executive Director and senior management of the Company, has determined two reportable operating segments for measuring performance and allocating resources. The segments are media and telecommunications. During the year ended 31 December 2019, the Group changed its segments to (i) media and (ii) telecommunications. The comparative amounts have been reclassified to conform with the current period's presentation.

The media segment (previously named as the "television segment", together with the "other segment", now renamed as the "media segment") includes operations related to the television subscription business, domestic free television programme service, advertising, channel carriage, television relay service, programme licensing, theatrical release and other related businesses.

The telecommunications segment (previously named as the "internet and multimedia segment", now renamed as the "telecommunications segment") includes operations related to broadband internet access services, portal operation, mobile content licensing, telephony services, network leasing, network construction, mobile agency service as well as other related businesses.

7. Segment information *(continued)*

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

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

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

Besides, the CODM is also provided with segment information concerning revenue (including inter-segment revenue).

7. 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 30 June 2020 and 2019 is set out below:

	Unaudited six months ended 30 June					
	Media		Telecommunications		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Reportable segment revenue	334,260	385,631	190,737	186,354	524,997	571,985
Less: Inter-segment revenue	-	-	(104)	(105)	(104)	(105)
Revenue from external customers	334,260	385,631	190,633	186,249	524,893	571,880
Revenue from contracts with customers:						
Timing of revenue recognition:						
At a point in time	10,801	6,472	18,178	9,548	28,979	16,020
Over time	307,941	360,729	172,209	176,428	480,150	537,157
Revenue from other sources:						
Rental income	15,518	18,430	246	273	15,764	18,703
	334,260	385,631	190,633	186,249	524,893	571,880
Reportable segment (loss)/profit before depreciation and amortisation of other intangible assets	(95,234)	(100,411)	86,994	71,634	(8,240)	(28,777)
Depreciation	(64,862)	(70,005)	(40,425)	(41,688)	(105,287)	(111,693)
Amortisation of other intangible assets	(2,009)	-	-	-	(2,009)	-
Reportable segment results before corporate expenses and corporate depreciation	(162,105)	(170,416)	46,569	29,946	(115,536)	(140,470)
Corporate expenses					(33,011)	(54,402)
Corporate depreciation					(6,506)	(3,036)
Loss from operations					(155,053)	(197,908)
Interest income					360	1,046
Finance costs					(21,544)	(12,443)
Non-operating income/(expense)					243	(143)
Income tax					(229)	(152)
Loss for the period					(176,223)	(209,600)

7. Segment information *(continued)*

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Segment assets		
Media	845,739	1,004,976
Telecommunications	450,016	535,106
	1,295,755	1,540,082
Corporate assets	37,078	38,140
Interest in an associate	–	–
Deferred tax assets	300,525	300,525
Total assets	1,633,358	1,878,747
Segment liabilities		
Media	745,358	778,775
Telecommunications	390,442	424,117
	1,135,800	1,202,892
Corporate liabilities	33,901	35,775
Current tax liabilities	68	63
Total liabilities	1,169,769	1,238,730

7. Segment information *(continued)*

During the six months ended 30 June 2020, there were additions of approximately HK\$56,458,000 (2019: HK\$66,208,000) to property, plant and equipment, approximately HK\$9,078,000 (2019: HK\$198,675,000 from initial recognition upon adoption of HKFRS 16 "Leases") to right-of-use assets and approximately HK\$21,501,000 (2019: HK\$17,925,000) to programming library respectively.

Geographical segment:

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

8. Loss before taxation

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

	Unaudited	
	six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Finance costs		
— Interest expenses on borrowings	4,582	6,444
— Interest expenses on lease liabilities	3,367	4,127
— Interest expenses on convertible bonds	13,595	1,872
Other items		
Depreciation		
— assets held for use under operating leases	11,486	11,906
— other assets	81,681	84,383
— right-of-use assets	18,626	18,440
Amortisation		
— programming library*	26,565	43,661
— contract acquisition costs	18,369	18,600
— other intangible assets	2,009	—
Non-operating (income)/expense		
— net loss on disposal of plant and equipment	53	143
— fair value gains on financial assets at fair value through profit or loss	(296)	—

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

9. Income tax

Hong Kong and PRC profits tax has been provided at the rate of 16.5% (2019: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively. The provision for both Hong Kong and PRC tax is calculated by applying the estimated annual effective tax rate.

	Unaudited	
	six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax expense — PRC	229	152

10. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of approximately HK\$176,223,000 (2019: HK\$209,600,000) and the weighted average number of 7,134,623,520 ordinary shares of the Company (the "Shares") (2019: 6,390,612,863) in issue during the period.

	Unaudited	Unaudited
	2020	2019
Weighted average number of the Shares		
Issued Shares at 1 January	7,134,623,520	6,206,020,156
Effect of rights issue <i>(Note 14(ii))</i>	–	184,592,707
Weighted average number of the Shares at 30 June	7,134,623,520	6,390,612,863

10. Loss per share *(continued)*

The diluted loss per Share for the six months ended 30 June 2020 and 2019 equal to the basic loss per Share since the exercise of the outstanding share options of the Company (the "Share Options") granted under the share option scheme of the Company adopted on 24 May 2018 (the "Share Option Scheme") and conversion rights attached to the unlisted long-term convertible bonds would not have a dilutive effect on the loss per Share.

11. Deferred tax assets

As at 30 June 2020 and 31 December 2019, the Group had recognised net deferred tax assets in respect of the future benefit of unutilised tax losses which can be carried forward indefinitely without expiry date of approximately HK\$300,525,000, being the net balance of deferred tax assets arising from tax losses of approximately HK\$355,266,000 and deferred tax liabilities arising from depreciation allowances in excess of the related depreciation of approximately HK\$54,741,000. The deferred assets recognised as at 30 June 2020 was determined after considering the estimated future taxable profits and the timing of utilisation of the tax losses in the relevant subsidiary of the Company. The subsidiary has a history of recent losses in both the current or preceding periods. The estimated future taxable profits of the relevant subsidiary of the Company take into account the expected growth of the business due to the operating environment, business strategies, business development, approved business plans, the effect of the tax planning as well as the trend of the performance of the relevant subsidiary of the Company. Deferred tax assets were recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

12. Trade receivables and contract assets

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	71,796	83,483
Contract assets	10,488	22,991
	82,284	106,474

12. Trade receivables and contract assets *(continued)*

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	45,047	42,745
31 to 60 days	4,751	18,893
61 to 90 days	7,737	10,569
Over 90 days	14,261	11,276
	71,796	83,483

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

13. Trade payables

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

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	12,241	9,612
31 to 60 days	14,949	19,619
61 to 90 days	5,881	7,469
Over 90 days	6,965	2,520
	40,036	39,220

14. Share capital

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2019	6,206,020,156	7,844,472
Shares issued under rights issue (<i>Note 14 (ii)</i>)	928,603,364	92,860
Transaction costs incurred in respect of rights issue	–	(8,357)
<hr/>		
At 30 June 2019 (unaudited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	7,134,623,520	7,928,975

(i) Share option scheme

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

On 15 June 2018, Share Options carrying the rights to subscribe for a total of 279,200,000 Shares were granted to certain eligible persons under the Share Option Scheme at an exercise price of HK\$0.210 per Share.

The fair value of the Share Options granted at the date of grant, 15 June 2018, was estimated at approximately HK\$20,771,000. The fair value is determined by Binomial model using inputs, including share price of HK\$0.15 per Share, exercise price of HK\$0.21 per Share, volatility of 66%, risk-free rate of 2.25% and dividend yield of 0%.

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

During the period from 1 January 2020 to 30 June 2020, no Share Option was exercised and Share Options carrying the rights to subscribe 17,489,600 Shares were lapsed.

14. Share capital *(continued)*

(ii) Rights issue

On 25 January 2019, the Company announced a fund raising proposal comprising a rights issue on the basis of three (3) new ordinary Shares of the Company (the "Rights Shares") for every four (4) existing Shares then held at the subscription price of HK\$0.1 per Rights Share (the "Rights Issue"). On 4 June 2019, the Company completed the Rights Issue of 928,603,364 Shares for gross proceeds of approximately HK\$92,860,000 (net proceeds of approximately HK\$84,503,000).

15. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: HK\$Nil).

16. Capital commitments

Capital commitments outstanding were as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Property, plant and equipment		
— Contracted but not provided for	2,670	4,736
Programming library		
— Contracted but not provided for	5,558	16,614
	8,228	21,350

17. Guarantees

As at 30 June 2020, a corporate guarantee had been provided by the Company to a bank of HK\$400,000,000 (31 December 2019: HK\$400,000,000) in respect of the facility of borrowing up to HK\$400,000,000 (31 December 2019: HK\$400,000,000) to a wholly-owned subsidiary of the Company, of which HK\$295,000,000 (31 December 2019: HK\$345,000,000) was utilised by the subsidiary of the Company.

As at 30 June 2020, the Group had made an arrangement with a bank to provide a performance bond to the counterparty amounting to approximately HK\$33,830,000 (31 December 2019: two separate performance bonds were provided to the counterparties amounting to approximately HK\$36,050,000), of which approximately HK\$3,830,000 (31 December 2019: HK\$6,050,000) was secured by bank deposits. The performance bond is to guarantee in favour of the counterparty the Group's performance in fulfilling the obligations under a contract.

18. Material related party transactions

- (a) In addition to the transactions and balances disclosed elsewhere in the Interim Financial Information, the Group entered into the following material related party transactions during the period.

	Unaudited	
	six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Finance costs paid to Forever Top	5,680	–
Hardware maintenance paid to a related company	840	–
Rentals and related management fees on properties paid to a related company	985	439

- (b) Key management compensation amounted to approximately HK\$3,381,000 for the six months ended 30 June 2020 (2019: HK\$6,146,000).

19. Comparative 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 AND ADDITIONAL INFORMATION

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 period under review, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviation:

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

Dr. Cheng Kar-Shun, Henry (the vice-chairman of the board of Directors (the "Board") and a non-executive Director) and Mr. Lam Kin-Fung, Jeffrey (an independent non-executive Director, the chairman of the compensation committee of the Company and a member of the nomination committee of the Company) were unable to attend the annual general meeting of the Company held on 18 June 2020 (the "AGM") as they had other engagements at the time of such meeting. Ms. Ng Yuk Mui Jessica (a non-executive Director) was unable to attend the AGM because she was unwell on that day.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

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 30 June 2020.

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

DIRECTORS’ INTERESTS IN SECURITIES

Save as disclosed below, as at 30 June 2020, 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.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

DIRECTORS' INTERESTS IN SECURITIES (continued)

Long position in underlying Shares — Share Options

Share Options granted to the Directors

Name	Date of grant	Exercisable period	Number of Shares issuable under the Share Options granted					Balance as at 30 June 2020	Adjusted exercise price per Share (Note 2) HK\$
			Balance as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Tan Sri Dato' David CHIU	15 June 2018	(Note 1)	63,785,600	-	-	-	-	63,785,600	0.204
Dr. CHENG Kar-Shun, Henry	15 June 2018	(Note 1)	63,785,600	-	-	-	-	63,785,600	0.204
Mr. TSANG On Yip, Patrick	15 June 2018	(Note 1)	27,006,000	-	-	-	-	27,006,000	0.204
Mr. HOONG Cheong Thard	15 June 2018	(Note 1)	27,006,000	-	-	-	-	27,006,000	0.204
Mr. LIE KEN JIE Remy Anthony Ket Heng	15 June 2018	(Note 1)	3,600,800	-	-	-	-	3,600,800	0.204
Mr. Andrew Wah Wai CHIU	15 June 2018	(Note 1)	36,522,400	-	-	-	-	36,522,400	0.204
			221,706,400	-	-	-	-	221,706,400	

Notes:

- (1) 50% of the Share Options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the Share Options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).
- (2) The exercise price per Share payable upon exercise of the outstanding Share Options granted under the Share Option Scheme was adjusted from HK\$0.210 to HK\$0.204 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 3 June 2019.
- (3) 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.
- (4) The cash consideration paid by each of the Directors for the grant of Share Options was HK\$1.00.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at 30 June 2020, 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

Name of Shareholder	Number of Shares				Total	Approximate percentage of the number of issued Shares
	Beneficial owner	Spouse interest	Interest of a controlled corporation	Other interest		
Forever Top (Asia) Limited	7,627,722,894 (Note 1)	–	–	–	7,627,722,894	106.91%
NG Hung Sang	156,089,500	96,022,500 (Note 2)	463,876,000 (Note 3)	–	715,988,000	10.04%
NG Lai King Pamela	96,022,500	619,965,500 (Note 4)	–	–	715,988,000	10.04%
South China Securities Limited	463,000,000 (Note 3)	–	–	–	463,000,000	6.49%

Notes:

1. These 7,627,722,894 Shares represent 3,083,722,894 Shares owned by the Controlling Shareholder and 4,544,000,000 new Shares to be issued by the Company upon full exercise of the conversion rights under the LCS in the principal amount of HK\$568 million based on the initial conversion price of HK\$0.125 per conversion share.
2. Ng Hung Sang, the spouse of Ng Lai King Pamela, was deemed to be interested in 96,022,500 Shares which Ng Lai King Pamela is interested in under the SFO.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

3. Ng Hung Sang was deemed to be interested in 463,876,000 Shares in which his controlled corporations are interested under the SFO. South China Finance and Management Limited directly held 876,000 Shares, while South China Securities Limited directly held 463,000,000 Shares. Both of these companies were 100% held by South China Financial Holdings Limited. South China Financial Holdings Limited was held as to approximately 29.36% by Ng Hung Sang, among which approximately 25.66% was held through his 100% owned corporations, while according to publicly available information, approximately 3.70% was held by him as beneficial owner.
4. Ng Lai King Pamela, the spouse of Ng Hung Sang, was deemed to be interested in 619,965,500 Shares which Ng Hung Sang is interested in under the SFO.

DILUTIVE IMPACT ON THE SHARES IN THE EVENT THAT ALL THE OUTSTANDING LCS WERE CONVERTED

On 4 June 2019, the Company issued the LCS with the principal amount of HK\$568 million to the Controlling Shareholder. As at 30 June 2020, none of the LCS was converted.

The following table sets out, for illustrative purpose only, the dilutive impact on the then number of issued Shares and the shareholding of the substantial shareholder (which has the meaning ascribed to it under the Listing Rules) of the Company as at 30 June 2020, assuming (i) 4,544,000,000 Shares were issued upon full conversion of the outstanding LCS on 30 June 2020 at the conversion price of HK\$0.125 per conversion share, and (ii) that there were no other changes to the share capital of the Company during the six months ended 30 June 2020:

Shareholders	As at 30 June 2020		Immediately upon full conversion of the LCS	
	Number of issued Shares	Approximate percentage of the total number of issued Shares	Number of issued Shares	Approximate percentage of the total number of issued Shares
Forever Top	3,083,722,894	43.22	7,627,722,894	65.31
Other Shareholders	4,050,900,626	56.78	4,050,900,626	34.69
Total	7,134,623,520	100.00	11,678,623,520	100.00

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

DILUTIVE IMPACT ON THE SHARES IN THE EVENT THAT ALL THE OUTSTANDING LCS WERE CONVERTED *(continued)*

The full conversion of the outstanding LCS would not have dilutive impact on the loss per Share of the Group.

The LCS is not redeemable before the maturity date unless there is an occurrence of certain events as stipulated in the LCS subscription agreement dated 25 January 2019. The maturity date of the LCS is the end of tenth year from date of the issue of the LCS. Considering (1) the fact that the LCS will become mature in 2029; (2) the fact that there are no circumstances leading to a possible indication that there may be an early redemption of the LCS; and (3) the financial position and resources of the Group, it is expected that the Company will be able to meet its redemption obligations under the LCS when it becomes due.

It would be equally financially advantageous for the holder of the LCS (i.e. Forever Top) to convert or redeem the LCS based on the implied internal rate of return of the LCS at the Company's share price of HK\$0.083 and HK\$0.086 if Forever Top fully converts the LCS on 31 December 2020 and 31 December 2021 respectively.

SHARE OPTION SCHEME

The Company previously adopted a share option scheme on 2 November 1999 which expired on 2 November 2009 and all outstanding unexercised share options granted thereunder expired on 31 December 2009. The Company has adopted the Share Option Scheme which is 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 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.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

SHARE OPTION SCHEME (continued)

During the period from 1 January 2020 to 30 June 2020, movement of Shares issuable under the Share Options granted by the Company to eligible persons was as follows:

- Details of the movement of Share Options granted to the Directors are disclosed under the section headed "Directors' Interests in Securities" above.
- 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 30 June 2020	Adjusted exercise price per Share (Note 2) HK\$
			Balance as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Employees	15 June 2018	(Note 1)	35,802,240	-	-	(17,489,600)	-	18,312,640	0.204
Other participants	15 June 2018	(Note 1)	3,600,800	-	-	-	-	3,600,800	0.204
			39,403,040	-	-	(17,489,600)	-	21,913,440	

Notes:

- 50% of the Share Options are exercisable from 15 June 2018 to 14 June 2028 (both dates inclusive); and 50% of the Share Options are exercisable from 15 June 2019 to 14 June 2028 (both dates inclusive).
- The exercise price per Share payable upon exercise of the outstanding Share Options granted under the Share Option Scheme was adjusted from HK\$0.210 to HK\$0.204 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 3 June 2019.
- 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.
- The cash consideration paid by each of the eligible persons for the grant of Share Options was HK\$1.00.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

SHARE OPTION SCHEME *(continued)*

The fair value of the Share Options granted at the date of grant, 15 June 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 22 August 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

On 19 March 2019, Hong Kong Cable Television Limited (“HKC”) 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 not less than annually by the Lender; and on 15 March 2019, the Company, as applicant, (together with HKC, the “Borrowers”) confirmed the acceptance of a facility letter issued by the Lender in respect of a HK\$33,830,000 performance bond facility (the “Performance Bond Facility”) with a maximum tenor of five years being subject to review at any time.

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, the Controlling Shareholder, would (i) hold greater than 35% of the total number of the issued Shares and (ii) be the single largest Shareholder of the Company. 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 30 June 2020, the above specific performance obligations under the Revolving Loan Facility and the Performance Bond Facility have been complied with. Details of the transactions were set out in the announcements of the Company dated 17 April 2018 and 18 December 2018.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has set up an audit committee (the “Audit Committee”) with majority of the members being the independent non-executive Directors with terms of reference in accordance with the requirements of the Listing Rules for the purposes of, among others, reviewing the financial information of the Group, and overseeing the Group’s financial reporting system, and risk management and internal control systems, as well as the Group’s corporate governance matters. As at the date of this 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 30 June 2020 have been reviewed by the Audit Committee with no disagreement by the Audit Committee. The auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 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 the Directors since the disclosure made in the annual report of the Company for the year ended 31 December 2019, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Andrew Wah Wai Chiu, an executive Director, is a director and vice chairman of the board of director of AMTD International Inc., a company primarily listed on the New York Stock Exchange and was subsequently secondary listed on the Mainboard of the Singapore Exchange Security Trading Limited with effect from 8 April 2020.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

(continued)

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK\$Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

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

Hong Kong, 24 August 2020

As at the date of this report, the Board comprises eleven Directors, namely Tan Sri Dato' David Chiu (Chairman), Dr. Cheng Kar-Shun, Henry (Vice-chairman), Mr. Tsang On Yip, Patrick, Mr. Hoong Cheong Thard, Mr. Lie Ken Jie Remy Anthony Ket Heng and Ms. Ng Yuk Mui Jessica as non-executive Directors, Mr. Andrew Wah Wai Chiu as executive Director, and Mr. Lam Kin-Fung, Jeffrey, Dr. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman as independent non-executive Directors.