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i-CABLE COMMUNICATIONS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1097)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	(Unaudited)	
	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Revenue	263,393	261,704
Loss from operations	(110,060)	(96,100)
Add back:		
Depreciation	32,978	62,234
Amortisation of other intangible assets	449	1,709
Loss from operations before depreciation and amortisation of other intangible assets ^(Note 1)	(76,633)	(32,157)
Loss from continuing operations	(149,239)	(173,346)
Discontinued operation		
Loss from discontinued operation	(47,747)	(52,528)
Loss for the period	(196,986)	(225,874)
	HK cents	HK cents
Basic loss per share	(2.8)	(3.2)
Diluted loss per share	(2.8)	(3.2)
	(Unaudited)	(Audited)
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Total assets	897,556	879,494
Total liabilities	(1,834,017)	(1,619,023)
Total deficit	(936,461)	(739,529)
Net gearing ratio ^(Note 2)	-139%	-146%

- In May 2023, the World Health Organisation has declared that COVID-19 no longer represents a “global health emergency”, economic activities in Hong Kong are gradually resuming to normal. However, the economic recovery for the first half of 2023 in Hong Kong fell short of expectations. The revenue from continuing operations 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 2023 increased to approximately HK\$263 million from approximately HK\$262 million for the six months ended 30 June 2022. Due to the increase in operating expenses from approximately HK\$358 million for the six months ended 30 June 2022 to approximately HK\$373 million for the six months ended 30 June 2023, loss from operations from continuing operations before depreciation and amortisation of other intangible assets increased to approximately HK\$77 million from approximately HK\$32 million in last corresponding period. After recognising the non-cash unrealised fair value loss on the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss which amounted to approximately HK\$0.4 million (for the six months ended 30 June 2022: unrealised fair value loss of approximately HK\$40 million), other non-operating items and income tax, the Group recorded a decrease in net loss from continuing operations to approximately HK\$149 million for the six months ended 30 June 2023, representing a decrease of approximately 14%, as compared with net loss of approximately HK\$173 million for the six months ended 30 June 2022.
- The number of broadband and telephony customers in June 2023 decreased to approximately 172,000 and 60,000, respectively, as compared to approximately 201,000 and 71,000, respectively in June 2022. Revenue from continuing operations generated from the telecommunications segment decreased by approximately HK\$6 million from approximately HK\$192 million for the six months ended 30 June 2022 to approximately HK\$186 million for the six months ended 30 June 2023. Due to keen market competition, the performance of the telecommunications segment was inevitably affected.
- Regarding the media segment, although the Group has terminated its pay television (“Pay TV”) operation with effect from 1 June 2023 upon the approval of application for the termination (the “Licence Termination”) of its domestic pay television programme service licence (the “Pay TV Licence”), the revenue generated from advertising during the six months ended 30 June 2023 increased as compared to the last corresponding period.

- Segment loss before depreciation and amortisation of other intangible assets from continuing operations of the media segment increased while segment profit before depreciation and amortisation of other intangible assets of the telecommunications segment dropped during the six months ended 30 June 2023 as compared to the last corresponding period.

Notes:

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

BUSINESS REVIEW

OPERATING ENVIRONMENT

With the lifting of the mask mandate by the government on 1 March 2023, Hong Kong has finally emerged from the onslaught of the pandemic and returned to normalcy. Coupled with the reopening of the Mainland border, most industries have seen an improvement in their operating environment, with the hotel, retail and catering industries in particular showing signs of rebound. However, the overall recovery still falls short of the expected pace, given the dampening consumption sentiment following the string of interest rate hikes and the mounting volatility of the stock market. Further, the overseas travels of local residents during the long holidays after the pandemic have proved to erode a significant portion of their consumption power. Advertisers still remain cautious, despite an uptick in their expenditure on advertising and promotion.

After experiencing a three-year pandemic, the competition in Hong Kong's media industry has been intensifying. Accustomed to watching various online media platforms, younger audiences have become more demanding and selective in allocating their attention. In a bid to respond swiftly to changes in audience's appetite and the fierce market competition, the Group has actively integrated all the media platforms under its flagship during the period to further expand its reach during the period.

Despite the lurking uncertainties in the business environment, the Group remains proactive in bringing audience's attention to its improved creative and production capabilities. The offering of series of exciting content will start with the exclusive broadcast of the "19th Asian Games Hangzhou" in September this year. In the meantime, the Group will recruit and groom talented producers and launch more creative programmes to attract audiences of different age groups, with a view to driving its viewership and boosting its advertising revenue.

MEDIA

At 23:59 on 31 May 2023, after expressing gratitude to customers' support on 20 cable pay channels of Hong Kong Cable Television Limited ("HKC") under the Group, all 118 pay channels were immediately terminated. On 1 June 2023, the Group formally returned the Pay TV Licence to the government, marking HKC's 30th anniversary and the Group entering into a new development path.

In the past 30 years, HKC has created a number of classic TV programmes for the public in Hong Kong, providing quality programmes such as daily and financial news, sports and lifestyle and entertainment through over 120 channels. However, with the development of information technology and the network economy, the Group has decided to change course towards a multi-media direction, concentrating resources on free TV, outdoor and digital media. The Group's three free TV channels, namely, Hong Kong International Business Channel (Channel 76), HOY TV (Channel 77) and HOY Infotainment (Channel 78), websites and mobile applications, continue to provide free and quality TV services in new forms to the public in Hong Kong, carrying on the torch of HKC. In particular, "i-CABLE News" continues to provide news contents to the Group's three free TV channels; "i-CABLE Channel 18", which has always been well-received by horse racing fans, has also developed into multimedia business and launched the new 24-hour integrated horse racing over-the-top ("OTT") platform "i-CABLE 18 Treasure" (有線18寶) in late April 2023.

With global customs re-opening, the desire to travel is flourishing everywhere. The Group produced more diversified and promising travel programmes, such as the "Good Deal in Japan" (日圓5算攻略) and "Sisters Traveling in Japan" (女遊日本) for the Japanese Yen plunge; "Exclusive Travel Tours" (獨家旅行團) focused on attractions and cuisines in the Greater Bay Area, etc.

The Group has also produced a series of cooking programmes to satisfy the post-pandemic appetite for dining delights and social gathering. In the first half of the year, the Group launched four new cooking and dining programmes, including "Master Chef's Delights 2023" (大廚精心推介2023), "OpenRice" (開飯啦), "Top 100 Hong Kong Cuisine" (全港開餐100強) and "12 Taste of Chef's Choice" (名廚私藏12味).

Hong Kong people have paid more attention to their health after the three-year pandemic. In the first half of the year, the Group launched the "Health Care Group" (健康關注組), a programme closely related to health and wellness. The Group invited experts and doctors from various fields to analyse the sources of urban health issues, and to introduce the latest medical developments, outdoor health tips, healthy diet, etc., to promote a healthy lifestyle.

During the period, the Group secured the rights to broadcast a number of international events and provided free television broadcasting services to Hong Kong viewers through Channel 76 and Channel 77, including the highly anticipated Hong Kong Sevens (香港國際七人欖球賽) and the FIVB Volleyball Nations League Hong Kong (世界排球聯賽香港站) in the first half of the year, further solidifying the Group's positioning as a professional sports brand. Other sports programmes included English Football League Cup (英格蘭聯賽盃), the German Cup (德國盃足球賽), EFL Championship (英格蘭冠軍聯賽), Coppa Italia (意大利盃), King's Cup (西班牙盃) and the FIVB Volleyball Nations League (世界排球聯賽).

In preparation for the Group's exclusive broadcast of the "19th Asian Games Hangzhou" (杭州第19屆亞運會) in September 2023, the Group launched two pilot programmes on Channel 77 in the first half of the year, namely, the "Asian Games are Coming" (亞運來了) and "Asian Games Direct to Hangzhou" (亞運直杭) to provide viewers with the latest updates and preparation process of the Asian Games to the audience, while also showcasing Hangzhou's famous attractions and recent developments.

After the cessation of the Pay TV broadcast, Channel 18, being the most popular and sophisticated gaming channel in Hong Kong, continues to broadcast the racing programmes on the new OTT service "i-CABLE 18 Treasure" (有線18寶) on 1 June 2023, featuring up to 14 different forms of horse racing, and received supports from the audience who previously subscribed to i-CABLE Channel 18. In addition to "i-CABLE 18 Treasure" (有線18寶), the mobile app "Racing GPS" (賽馬GPS) also reached a record number of downloads. Horse racing enthusiasts can now enjoy all exciting horse racing programmes at their homes or during outdoor activities, fully experiencing the slogan "Original, Innovative, and Dedicated" of the Group's horse racing programmes.

i-CABLE NEWS

After 1 June 2023, the Group continued to maintain its 30-year brand of "i-CABLE News" and remained at the forefront of the industry at any time by providing 24-hour news on Channel 78. The credibility and influence of i-CABLE News are well recognised in the industry. In November 2022, a report on the impact of waste charging implementation leading to a potential increase in management fees for housing estates by the news team was honored with the Consumer Rights News Reporting Awards and the Video Reporting Award (Bronze) by Consumer Council.

In addition to round the clock coverage, HOY Infotainment is also rich in information content. Programmes like “Anchor’s Focus” (主播視角) which offers a unique perspective on daily life from the viewpoint of anchors, has aired its second season. Other programmes include “Family, Country and World” (家國天下) which introduces national education and national security laws, and “Every Home Has a Request” (家家有求) which addresses difficult home renovation inquiries. Besides, infotainment programme “City Focus” (一線搜查) has also celebrated its first anniversary of broadcast and has become a flagship programme for HOY, airing five episodes every week at 8 pm, covering various hot topics and community issues alongside the residents and audience.

The Group’s “Cable News Express” (有線新聞速遞) is the sole distributor of the advertisement and content provider for the MTR In-train TV. The Group provides daily local and international real-time news, financial news, sports news, entertainment news and infotainment programmes for train passengers on the MTR East Rail Line, Tuen Ma Line, Kwun Tong Line and South Island Line, while providing advertisers with a quality outdoor advertising platform to effectively convey their messages to passengers. With the border reopening completely in March 2023, Hong Kong’s economic activities are gradually returning to normal. From February to March 2023, the recovery of tourism-related industries drove an average increase of 36.8% in the number of passengers on the East Rail Line. Advertisers in the healthcare and pharmaceutical, cosmetics and fast moving consumer goods sectors, mainly targeting cross-border customers, have resumed their advertising spending on the MTR In-train TV. As local demand and activities increased, spending on entertainment programmes or movie categories is also increasing.

However, the challenging external environment and fluctuations in the local stock markets have an adverse effect on investors’ confidence, with banks, capital market and real estate sectors significantly reducing their advertising spending on the MTR In-train TV in the first half of 2023. The depreciation of Renminbi has weakened the purchasing power of Mainland Chinese tourists, which has in turn affected the retail sales and their related advertising expenses.

TELECOMMUNICATIONS

In addition to the media business, the telecommunications business continues to provide positive contribution to the Group. As one of the major fixed telecommunications network service operators in Hong Kong, the Group has built a telecommunications network covering over 2 million households in Hong Kong. After the termination of Pay TV services, more spare network resources would be released for the Group to explore other telecommunications opportunities. In the future, the Group will continue to invest in expanding its network coverage and enhancing its system capacity, as well as using new technologies to convert hybrid fibre/coaxial networks into fibre optic networks to achieve gigabit-speed broadband access.

The Group has expanded its telecommunications infrastructure to major commercial and industrial sectors, further developing and strengthening network capabilities to meet the rapid growth of the emerging data centre business. Meanwhile, through a strategic collaboration with China Mobile Hong Kong Company Limited, the Group has generated a stable source of revenue and achieved synergy in the use of network resources.

The Group continues to provide telecommunications products and services to both individual and corporate customers, and enriches its product range with a view to increasing revenue. For individual customers, the Group continues to provide residential broadband and fixed-line telephone services. Through the i-Mobile brand, the Group provides various mobile services to customers, including local voice, mobile data services and different internet speed packages. The Group also provides different solutions to enterprises in Hong Kong. The Group has inter-connection capacity to cover more than 15 data centres across Hong Kong. The Group provides commercial broadband services with dedicated internet access for commercial clients with different speed options, offering local access and internet connectivity as well as fiber leasing and related services.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) REVIEW OF RESULTS

Revenue from continuing operations of the Group for the six months ended 30 June 2023 increased to approximately HK\$263 million (for the six months ended 30 June 2022: approximately HK\$262 million). Revenue from discontinued operation of the Group for the six months ended 30 June 2023 was approximately HK\$118 million as compared with six months ended 30 June 2022 of approximately HK\$170 million, which represented a decrease of approximately HK\$52 million or 31%.

Cost of services from continuing operations of the Group for the six months ended 30 June 2023, including programming costs, network expenses and cost of sales, increased by approximately HK\$33 million to approximately HK\$303 million (for the six months ended 30 June 2022: approximately HK\$270 million). Due to the Group's cautious spending in programming, the respective costs decreased by approximately 3%. The cost of sales increased by approximately 20% mainly due to the increase in related revenue during the period. On the other hand, the network expenses increased by approximately 32% as compared to the last corresponding period, while selling, general and administrative and other operating expenses of the Group decreased by approximately 20% as compared to the last corresponding period.

Loss from operations from continuing operations of the Group for the six months ended 30 June 2023 was approximately HK\$110 million, representing an increase of approximately 15%, as compared with the loss from operations from continuing operations of approximately HK\$96 million for the last corresponding period.

Finance costs from continuing operations of the Group for the six months ended 30 June 2023 increased by approximately HK\$11 million or 44% to approximately HK\$36 million (for the six months ended 30 June 2022: approximately HK\$25 million), of which approximately HK\$20 million (for the six months ended 30 June 2022: approximately HK\$19 million) was the total interest expenses on unlisted long-term convertible bonds issued in June 2019 (the “2019 LCS”) and March 2021 (the “2021 LCS”).

Net non-operating expenses from continuing operations of the Group amounted to approximately HK\$1 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$45 million). Net non-operating expenses from continuing operations of the Group for the six months ended 30 June 2023 mainly represented the non-cash unrealised fair value loss on financial assets at fair value through profit or loss on listed debt securities in the amount of approximately HK\$1 million recorded during the period. For the six months ended 30 June 2022, the amount mainly represented the non-cash unrealised fair value loss on the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss in the amount of approximately HK\$40 million.

After recognising the interest income, finance costs, net non-operating expenses and income tax, the Group recorded a net loss from continuing operations of approximately HK\$149 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$173 million).

Loss from discontinued operation for the six months ended 30 June 2023 amounted to approximately HK\$48 million (for the six months ended 30 June 2022: approximately HK\$53 million).

Basic and diluted loss per share from continuing and discontinued operations for the six months ended 30 June 2023 were approximately HK2.8 cents (for the six months ended 30 June 2022: approximately HK3.2 cents). Basic and diluted loss per share from continuing operations for the six months ended 30 June 2023 were approximately HK2.1 cents (for the six months ended 30 June 2022: approximately HK2.4 cents). Basic and diluted loss per share from discontinued operation for the six months ended 30 June 2023 were approximately HK0.7 cents (for the six months ended 30 June 2022: approximately HK0.8 cents).

(B) SEGMENTAL INFORMATION

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

Media

The media segment includes operations related to the television subscription business (terminated with effect from 1 June 2023), domestic free television programme service, advertising, television relay service, programme licensing, theatrical release and other related businesses.

Revenue from continuing operations derived from the media segment for the six months ended 30 June 2023 increased by approximately 11% to approximately HK\$78 million (for the six months ended 30 June 2022: approximately HK\$70 million) mainly due to increased advertising revenue.

Operating expenses from continuing operations before depreciation and amortisation of other intangible assets incurred by the media segment for the six months ended 30 June 2023 increased by approximately 22% to approximately HK\$175 million (for the six months ended 30 June 2022: approximately HK\$143 million). As disclosed in “Segment Information” in Note 7 to the condensed consolidated interim financial information of this interim results announcement, the loss before depreciation and amortisation of other intangible assets from continuing operations of the media segment for the six months ended 30 June 2023 increased to approximately HK\$97 million (for the six months ended 30 June 2022: approximately HK\$73 million) which was mainly due to increase in operating expenses.

The Group terminated the Pay TV operation with effect from 1 June 2023 upon the approval of application for the Licence Termination. Revenue from discontinued operation of the Group for the six months ended 30 June 2023 was approximately HK\$118 million as compared with six months ended 30 June 2022 of approximately HK\$170 million, which represented a decrease of approximately HK\$52 million or 31%. The operating expenses from discontinued operation decreased from approximately HK\$222 million for the six months ended 30 June 2022 to approximately HK\$166 million for the six months ended 30 June 2023. Loss from discontinued operation decreased by approximately HK\$5 million to approximately HK\$48 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$53 million).

Telecommunications

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

Revenue derived from the telecommunications segment for the six months ended 30 June 2023 slightly decreased by approximately 3% to approximately HK\$186 million (for the six months ended 30 June 2022: approximately HK\$192 million).

Operating expenses before depreciation and amortisation of other intangible assets incurred by the telecommunications segment for the six months ended 30 June 2023 increased by approximately 10% to approximately HK\$133 million (for the six months ended 30 June 2022: approximately HK\$121 million). As disclosed in “Segment Information” in Note 7 to the condensed consolidated interim financial information of this interim results announcement, the profit before depreciation and amortisation of other intangible assets from the telecommunications segment for the six months ended 30 June 2023 decreased by approximately 25% to approximately HK\$53 million (for the six months ended 30 June 2022: approximately HK\$71 million), which was mainly due to the increase in operating expenses and decrease in revenue.

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and bank balances and restricted bank balances of approximately HK\$69 million and HK\$17 million respectively as compared to approximately HK\$42 million and HK\$17 million respectively as at 31 December 2022. The increase in cash and bank balances was mainly due the net cash from financing activities and offsetting against the net cash used in operations and investing activities. The cash and bank balances and restricted bank balances of the Group as at 30 June 2023 and 31 December 2022 were mainly denominated in Hong Kong Dollar (“HK\$”). The net gearing ratio, measured in terms of the total interest-bearing borrowings and convertible bonds less cash and bank balances and restricted bank balances divided by total deficit, was a negative of approximately 139% as at 30 June 2023 (31 December 2022: a negative of approximately 146%). As at 30 June 2023, the Group recorded total assets of approximately HK\$898 million which were financed by liabilities of approximately HK\$1,834 million offsetting against the deficit of approximately HK\$936 million. As at 31 December 2022, the Group recorded total assets of approximately HK\$879 million which were financed by liabilities of approximately HK\$1,619 million offsetting against the deficit of approximately HK\$740 million. The decrease in equity was attributable to the loss for the period.

Consolidated net liability value of the Group as at 30 June 2023 was approximately HK\$936 million, and approximately HK\$740 million as at 31 December 2022.

The carrying amount of interest-bearing borrowings denominated in HK\$ as at 30 June 2023 was approximately HK\$831 million (31 December 2022: approximately HK\$591 million), in which the bank loan carries interest at variable rates and was repayable on demand, and the loans from Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top (Asia) Limited (“Forever Top”), a substantial shareholder holding 43.2% shareholding of the Company, and is wholly-owned by Dr. Cheng Kar-Shun, Henry, a director of the Company) carry interest at fixed rates ranging from 2.5% to 5.0% per annum and with a term of 3 years from the date of the respective loan agreements. As at 30 June 2023, the Group has utilised all committed borrowing facilities (committed borrowing facilities available to the Group but not drawn as at 31 December 2022: HK\$105 million).

The 2019 LCS

On 4 June 2019, the issuance of the 2019 LCS with the principal amount of HK\$568 million by the Company to Forever Top, the controlling shareholder of the Company, was completed. The 2019 LCS would be convertible into 4,544,000,000 new ordinary shares of the Company upon full conversion of the 2019 LCS based on the initial conversion price of HK\$0.125 per conversion share and the coupon rate of the 2019 LCS is 2.0% per annum and payable quarterly. During the six months ended 30 June 2023, there had not been any conversion of the 2019 LCS. Details of the 2019 LCS were set out in the announcements of the Company dated 25 January 2019 and 4 June 2019 and the circular of the Company dated 8 April 2019 (the “2019 Circular”).

The carrying amount of the 2019 LCS denominated in HK\$ as at 30 June 2023 was approximately HK\$415 million (31 December 2022: approximately HK\$405 million). Details of the 2019 LCS were set out in “Convertible Bonds” in Note 16 to the condensed consolidated interim financial information in this interim results announcement.

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

The 2021 LCS

On 31 March 2021, the issuance of the 2021 LCS with the principal amount of HK\$200 million by the Company to Forever Top was completed. The 2021 LCS would be convertible into 2,941,176,470 new ordinary shares of the Company upon full conversion of the 2021 LCS based on the initial conversion price of HK\$0.068 per conversion share and the coupon rate of the 2021 LCS is 2.0% per annum and payable quarterly. The Company may at any time on or after the date of issue of the 2021 LCS by giving not less than 10 business days' written notice to the holder(s) of the 2021 LCS to redeem all or part of the 2021 LCS at the outstanding principal amount of the 2021 LCS together with all accrued but unpaid interest. During the six months ended 30 June 2023, there had not been any conversion or redemption of the 2021 LCS. Details of the 2021 LCS were set out in the announcements of the Company dated 27 January 2021 and 31 March 2021 and the circular of the Company dated 2 March 2021 (the "2021 Circular").

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

The carrying amount of the 2021 LCS denominated in HK\$ as at 30 June 2023 was approximately HK\$144 million (31 December 2022: approximately HK\$141 million). Details of the 2021 LCS were set out in "Convertible Bonds" in Note 16 to the condensed consolidated interim financial information in this interim results announcement.

The net proceeds raised from the issuance of the 2021 LCS have all been utilised as at 31 December 2022 according to the intended use of proceeds as disclosed in the 2021 Circular.

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

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

During the six months ended 30 June 2023, capital expenditure on property, plant and equipment amounted to approximately HK\$34 million (for the six months ended 30 June 2022: approximately HK\$49 million), the additions to right-of-use assets was approximately HK\$0.3 million (for the six months ended 30 June 2022: approximately HK\$1 million) and the additions to programming library was approximately HK\$17 million (for the six months ended 30 June 2022: approximately HK\$24 million).

The Group financed its operations generally with internally generated cash flows and loans from the controlling shareholder of Forever Top.

(D) CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any contingent liabilities.

(E) GUARANTEES

As at 30 June 2023, a corporate guarantee of HK\$295 million (31 December 2022: HK\$400 million) had been provided by the Company to a bank in respect of the facility of borrowing up to HK\$295 million (31 December 2022: HK\$400 million) to a wholly-owned subsidiary of the Company, of which HK\$295 million (31 December 2022: HK\$295 million) was utilised by the wholly-owned subsidiary of the Company.

As at 30 June 2023, the Group had made arrangements with a bank to provide two separate performance bonds to counterparties amounting to approximately HK\$40 million (31 December 2022: approximately HK\$40 million), of which approximately HK\$10 million (31 December 2022: approximately HK\$10 million) was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties the Group's performance in fulfilling the obligations under a contract and the requirements as set out in the license issued by a regulatory body.

(F) HUMAN RESOURCES

The Group had 1,144 full-time employees as at 30 June 2023 (30 June 2022: 1,150). Total salaries and related costs before capitalisation and incurred for the six months ended 30 June 2023 amounted to approximately HK\$204 million (for the six months ended 30 June 2022: approximately HK\$171 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.

(G) OPERATING ENVIRONMENT

In view of the rapidly changing media landscape in Hong Kong, and fierce competition among global operations related to the Pay TV content providers and Pay TV operators, HKC has submitted an application for the Licence Termination to the Government and has been granted approval on 14 February 2023. The Group has terminated Pay TV operation with effect from 1 June 2023.

Although the Group has terminated the Pay TV operation with effect from 1 June 2023, the Group recorded a slight improvement on the advertising revenue.

For broadband services, the number of customers decreased as at 30 June 2023 as compared to that as at 30 June 2022 due to keen market competition. In view of the above, the Group will continue to expand the network coverage and upgrade of the Group’s network to provide high speed Gigabit-capable Passive Optical Network (“GPON”) services to enhance the Group’s competitiveness.

(H) CHARGE ON GROUP ASSETS

As at 30 June 2023, restricted bank balances of approximately HK\$17 million (31 December 2022: approximately HK\$17 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 2023.

(J) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

The Group’s ongoing capital expenditure will be funded by internal cash flows generated from operations.

(K) OUTLOOK

With the recovery of economic activities and tourism industry, it is expected to have a positive effect on the advertising market in the second half of 2023. The Group has comprehensively reviewed all of its broadcasting platforms with a view to providing advertisers with a comprehensive sales mix to further attract advertisers to increase their advertisement placements on its platform and increase the Group’s revenue.

In order to promote the development of programme content and strengthen production capabilities, the Group has acquired How How Productions Group Limited (好好製作集團有限公司) and its subsidiaries in the first half of the year, which has been providing television programme production for HOY over a certain period of time. The acquisition aims to bring more flexible and creative programme content to the TV station. Meanwhile, Stars Music International Limited (星演國際有限公司), a subsidiary of How How Productions Group Limited, is mainly engaged in developing music programme content such as music production, music copyright management, music publishing and artist management. Currently, it mainly provides music and theme songs for both drama and non-drama programmes on HOY TV.

In terms of programme content, the Group will launch a series of variety shows in the second half of the year in order to get closer to the community and attract more audience of different age groups. These programmes include “Traveling with DoDo” (去邊啊Do姐), “Undercover Travel Group 3.0” (臥底旅行團3.0), “Beware of Deception” (東呢西騙), “Traveling to Shikoku” (四遊記), “Open Rice with Two Sides” (舌尖上的雙饊飯), “Chef Charlene Tse” (健康寧飲食), “Shopping in Seoul” (四處「首」羅), “Korean Star Tour with Douglas Yim” (嚴崇天與韓星韓國之旅), “Word of the Day” (語文的生命), “Dog Alchemist III” (煉狗術師III), hoping to meet the needs and expectations of different audience. In addition, the Group has invited a number of famous hosts and artists to host the programmes, including Cheng Yu Ling (鄭裕玲) (DoDo), Au-Yeung Wai Ho (Ben Sir), Master Seven (七仙羽師傅), Kenny Wong Tak Bun (黃德斌), Charlene Tse (謝寧) and Louise Wong Tan Ni (王丹妮) in order to enhance the popularity and topicality of the programmes.

In terms of broadcast of sports events, the Group will continue to provide live broadcasting of the “Asian Games” for the seventh consecutive year for Hong Kong’s public. Leveraging on the Group’s extensive experience in the official broadcast of the Asian Games and the professional commentator team that has enjoyed a longstanding reputation in the industry, Hong Kong people will be able to enjoy various wonderful competitions of the Asian Games in Hangzhou and witness the winning of medals on three free channels under HOY, namely Hong Kong International Business Channel (Channel 76), HOY TV (Channel 77) and HOY Infotainment (Channel 78), as well as the Group’s official websites and mobile applications. The Group has invested a lot of resources so as to support Hong Kong athletes, convey the spirit of Hong Kong sports, promote the Hangzhou Asian Games brand, and present this Asian Games event to Hong Kong’s public. At the same time, the Group has jointly held the “Hangzhou Asian Games Elite Trainee Programme” (杭州亞運賽事菁英練習生計劃) with The Y.Elites Association, leading a group of young people who are interested in media production to practise at the Hangzhou Asian Games International Broadcasting Centre (杭州亞運會國際廣播中心) and Media Village (媒體村), cultivating talents in the industry and contributing to the continued development of Hong Kong media production.

The Group has also taken this opportunity to create a new commercial operation strategy, combining all media platforms: TV, MTR In-train TV, social media websites and mobile applications into a comprehensive media business model, in order to provide customers with comprehensive marketing solutions, which are expected to further attract potential advertisers and promote new business revenue:

- MTR In-train TV: With the reopening of the border in Mainland China and the relaxation of social and travel restrictions at the beginning of the year, it is expected to further increase MTR passenger traffic and MTR In-train advertising revenue of the Group. The Group will continue to diversify its product portfolio by adopting the selling strategy of content sponsorship and creative products.
- Mobile Application — The Group has launched the new HOY mobile application in August, introducing a new interface to improve user experience. The new application will be membership-based to accommodate new targeted sales features, which is expected to contribute to revenue growth of the Group.
- Social media: Leveraging multiple social media platforms under i-CABLE , the Group will capitalise on its millions of users to provide customers with tailored advertising content, customised mini programmes and cross-platform sales packages to grasp more business opportunities.

In addition, the Group will bring more world-class sports events to the audience, including the FINA World Swimming Championships (世界游泳錦標賽) in July, the FIBA Basketball World Cup (世界盃籃球賽) and the German Cup (德國盃足球賽) in August, the FIBA 3x3 Basketball World Tour 2022 Hong Kong Masters (世界三人籃球巡迴賽 — 香港站) in November.

The Group believes that besides content enrichment, increasing sales channels is an essential way to drive revenue growth. Cable News Express will continue to diversify its product portfolio with a mix of content sponsorship and creative product sales. The Group will continue to provide tailor-made advertising content, customised mini programmes and cross-platform sales packages to capture more business opportunities.

With the reopening of borders with Mainland China at the beginning of the year and the relaxation of social and travel restrictions, it is expected that the passenger traffic of MTR and the Group's MTR In-train TV advertising revenue will further increase. In the future, the Group will provide customers with comprehensive marketing solutions through the integration of TV, MTR In-Train TV and three online platforms, which is expected to further attract potential advertisers to drive new business revenue.

In addition, the HOY TV app improvement will bring additional sales-oriented features, which is expected to bring revenue growth to the Group. With the provision of value-added integrated marketing solutions services and the bundling of multi-platform media, more business opportunities will be captured in 2023 and beyond.

HOY Infotainment will continue to enhance the production of local news and global financial coverage under the brand name of i-CABLE News to capture the business potential in the banking and financial sectors. In August 2023, the Group launches the "Smart Future" (智創未來) to share the stories and development of innovation and technology.

The Group will also seize the opportunities to explore businesses in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area") and plan to collaborate with major media and operators in Mainland China, so as to enhance the Group's reputation and expand its audience base. The Group will also continue to explore different types and styles of programmes in order to provide better quality contents to the audience and promote business development.

In terms of the telecommunications business, the Group will continue to try to increase revenue of the existing telecommunications business with a main focus on developing business-to-business (B2B) projects and enhance the product mix. On the other hand, the Group will explore new opportunities to further expand the business scope using existing expertise and skills, such as commercial broadband business, additional income from fibre-optic cabling system of buildings and back-up bandwidth capacity leasing, and cooperation with other strategic partners to create a win-win situation. The Group will strengthen the productivity of its telemarketing and direct sales teams, and will also enrich its product lines and launch more new services to cover a wider customer base and increase the market shares of various services. For Hong Kong people who frequently travel to and from the Greater Bay Area and love travel, the Group will soon launch a roaming data service plan in the Greater Bay Area, Asia and globally.

In addition, the Group will utilise the HOY brand to strengthen various marketing activities and increase new sales channels in a bid to enhance brand image and market exposure. The Group is confident that it can continue to operate effectively and achieve satisfactory results in the telecommunications business. The Group also looks forward to exploring more business opportunities in the telecommunications sector, which will bring new impetus to business portfolio and enhance overall performance growth of the Group.

(L) EVENTS AFTER THE REPORTING PERIOD

1. On 21 July 2023, CABLE NETWORK COMMUNICATIONS LIMITED (a wholly-owned subsidiary of the Company), has duly accepted (as tenant) seven offers to lease (the “Offers to Lease”) from the respective landlords and the allowance offer letter (the “Allowance Offer Letter”) in connection with leasing of the premises. Details of the Offers to Lease and the Allowance Offer Letter are set out in the announcement of the Company dated 21 July 2023.
2. On 2 August 2023, HKC as the borrower, entered into a loan agreement with Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top and is wholly-owned by Dr. Cheng Kar-Shun, Henry, the Director) as the lender, pursuant to which, HKC obtained an unsecured loan with a principal amount of HK\$80,000,000, which carries interest at fixed rate 5.0% per annum and with a term of 3 years from the date of the said loan agreement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited

		Six months ended 30 June	
	<i>Note</i>	2023	2022
		HK\$'000	<i>HK\$'000</i>
			(restated)
Continuing operations			
Revenue	6, 7	263,393	261,704
Cost of services			
— Programming costs		(126,605)	(130,701)
— Network expenses		(106,255)	(80,264)
— Cost of sales		(70,208)	(58,591)
Selling, general and administrative and other operating expenses		(70,385)	(88,248)
		<hr/>	<hr/>
Loss from operations		(110,060)	(96,100)
Interest income		334	658
Finance costs		(35,547)	(25,065)
Non-operating expenses, net		(659)	(45,125)
		<hr/>	<hr/>
Loss before taxation	8	(145,932)	(165,632)
Income tax	9	(3,307)	(7,714)
		<hr/>	<hr/>
Loss from continuing operations		(149,239)	(173,346)
Discontinued operation			
Loss from discontinued operation	10	(47,747)	(52,528)
		<hr/>	<hr/>
Loss for the period		(196,986)	(225,874)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity shareholders of the Company		(196,986)	(225,874)
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000 (restated)
Loss per share	<i>11</i>		
From continuing and discontinued operations			
Basic		<u>(2.8) HK cents</u>	<u>(3.2) HK cents</u>
Diluted		<u>(2.8) HK cents</u>	<u>(3.2) HK cents</u>
From continuing operations			
Basic		<u>(2.1) HK cents</u>	<u>(2.4) HK cents</u>
Diluted		<u>(2.1) HK cents</u>	<u>(2.4) HK cents</u>
From discontinued operation			
Basic		<u>(0.7) HK cents</u>	<u>(0.8) HK cents</u>
Diluted		<u>(0.7) HK cents</u>	<u>(0.8) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
		(restated)
Loss for the period	(196,986)	(225,874)
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation difference	<u>54</u>	<u>73</u>
Total comprehensive income for the period	<u>(196,932)</u>	<u>(225,801)</u>
Attributable to:		
Equity shareholders of the Company		
• Continuing operations	<u>(149,185)</u>	<u>(173,273)</u>
• Discontinued operation	<u>(47,747)</u>	<u>(52,528)</u>
	<u>(196,932)</u>	<u>(225,801)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		453,118	457,567
Right-of-use assets		8,619	9,655
Programming library		19,525	11,075
Other intangible assets		2,312	2,661
Contract acquisition costs		4,196	3,683
Deferred tax assets	<i>12</i>	99,027	102,144
Deposits, prepayments and other receivables		29,742	34,132
		616,539	620,917
Current assets			
Inventories		4,883	6,473
Trade receivables and contract assets	<i>13</i>	79,236	106,219
Deposits, prepayments and other receivables		67,402	41,565
Contract acquisition costs		5,969	6,102
Financial assets at fair value through profit or loss		38,473	40,081
Restricted bank balances		16,550	16,550
Cash and bank balances		68,504	41,587
		281,017	258,577
Total assets		897,556	879,494

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves			
Share capital	15	7,928,975	7,928,975
Reserves		<u>(8,865,436)</u>	<u>(8,668,504)</u>
Total deficit		<u>(936,461)</u>	<u>(739,529)</u>
LIABILITIES			
Non-current liabilities			
Convertible bonds	16	558,623	546,040
Interest-bearing borrowings	17	536,035	296,035
Lease liabilities		7,473	7,820
Other non-current liabilities		<u>22,821</u>	<u>21,373</u>
		<u>1,124,952</u>	<u>871,268</u>
Current liabilities			
Trade payables	14	56,196	50,278
Accrued expenses and other payables		240,191	247,316
Receipts in advance and customers' deposits		96,163	117,811
Interest-bearing borrowings	17	295,000	295,000
Lease liabilities		21,431	37,258
Current tax liabilities		<u>84</u>	<u>92</u>
		<u>709,065</u>	<u>747,755</u>
Total liabilities		<u>1,834,017</u>	<u>1,619,023</u>
Total equity and liabilities		<u>897,556</u>	<u>879,494</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL

i-CABLE Communications Limited is a limited liability company incorporated in Hong Kong. The address of its registered office in Hong Kong is 7th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong.

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

The Group is engaged in domestic free television programme service, advertising, television relay service, programme licensing, theatrical release, other television related businesses, broadband internet access services, portal operation, telephony services, network leasing, network construction, mobile service and mobile agency service as well as other internet access related businesses. During the six months ended 30 June 2023, the Group discontinued its domestic pay television programme service business as detailed in Note 10. Accordingly, the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the six months ended 30 June 2022 has been re-presented.

The condensed consolidated interim financial information for the six months ended 30 June 2023 (the “Interim Financial Information”) is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. The Interim Financial Information has been approved for issue by the board (the “Board”) of Directors of the Company on 25 August 2023.

The financial information relating to the year ended 31 December 2022 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 2022 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

During the six months ended 30 June 2023, the Group incurred a net loss of HK\$197 million (2022: HK\$226 million). As at 30 June 2023, the Group's current liabilities exceeded its current assets by HK\$428 million (31 December 2022: HK\$489 million) and total deficit amounted to HK\$936 million (31 December 2022: HK\$740 million). Total operating cash outflows amounted to HK\$115 million (2022: HK\$61 million) and total cash inflows amounted to HK\$27 million during the period (2022: total cash outflows of HK\$8 million). Included in the Group's current liabilities was an interest-bearing bank borrowing of HK\$295 million which is immediately repayable on demand and subject to review at any time and in any event not less than annually. Besides the banking facility, the Group has received financing from time to time from Forever Top, a substantial shareholder holding 43.2% shareholding of the Company, through rights issue and issue of the 2019 LCS and the 2021 LCS to improve the Group's liquidity. Up to 30 June 2023, the controlling shareholder of Forever Top has advanced unsecured 3-year interest-bearing loans totalling HK\$540 million to the Group, of which HK\$240 million was advanced to the Group during the six months ended 30 June 2023. Subsequent to the period end, in August 2023, the controlling shareholder of Forever Top further advanced an unsecured 3-year interest-bearing loan of HK\$80 million to the Group. On 14 February 2023, the Chief Executive in Council approved the Licence Termination of HKC, an indirect wholly-owned subsidiary of the Company, with effect from 1 June 2023.

In view of such circumstances, 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 forecast prepared by management which covers a period of not less than twelve months from 30 June 2023. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

1. The Group's banking facility was renewed in March 2023 and the outstanding loan balance of HK\$295 million has been rolled over, which will continue to be subject to the clause of the bank's overriding right to demand repayment;
2. Following the approval to terminate the Pay TV Licence, HKC remained bound by the terms and conditions of the Pay TV Licence until the Licence Termination with effect from 1 June 2023, and thereafter the Group continues to provide free television programme services and other businesses as usual, including broadband telecommunications services, telephony services, network construction and mobile services. The Group will continue with its strategic transformation plan to enhance the Group's business performance; enrichment of contents; cooperation with other partners and cost savings initiatives; and
3. Forever Top has entered into an irrevocable deed of undertaking for a period of not less than twelve months from 30 June 2023 to provide financial support to the Group, up to a cap with reference to the latest funding requirement based on the cash flow forecast as approved by the board of directors of the Company, as and when necessary. In turn, Forever Top has received back to back financial support undertakings from its beneficial shareholders.

Notwithstanding the above, whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions are subject to inherent uncertainties. In particular, whether the Group will be able to continue as a going concern would depend upon the continuous availability of existing banking facility, the successful implementation of cost saving initiatives and enhancement of business performance, and from time to time as and when is necessary, the financial support from Forever Top as backed by the beneficial shareholders of Forever Top.

The Directors, after due consideration of the basis of the Group's plans and measures as well as the reasonably possible downside changes to the cash flow assumptions in the cash flow projections, 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 2023. Accordingly, the Directors consider it is appropriate to prepare the Interim Financial Information on a going concern basis.

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of this condensed financial information are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of the amendments to standards effective for the financial year ending 31 December 2023.

(a) New standard, amendments to standards and HKFRS Practice Statement effective in current accounting period

During the period ended 30 June 2023, the Group has adopted the following new standard, amendments to standards and HKFRS Practice Statement which are mandatory for accounting period beginning on 1 January 2023:

HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial application of HKFRS 17 and HKFRS 9 — Comparative Information
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules

The adoption of these new standard, amendments to standards and HKFRS Practice Statement does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

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

The following amendments to standards and interpretation have been published which are mandatory for the Group's accounting periods beginning on or after 1 January 2024 but have not been early adopted by the Group:

HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ⁽¹⁾
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ⁽¹⁾
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽¹⁾
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾

⁽¹⁾ Effective for accounting periods beginning on or after 1 January 2024

⁽²⁾ Effective date is to be determined

The Group does not expect that these amendments to standards and interpretation would have any material impact on its results and financial position.

4 ESTIMATES AND JUDGEMENTS

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

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 2022.

There have been no changes in the risk management policies since 31 December 2022.

(b) Liquidity risk

Compared to the year ended 31 December 2022, there was no other material change in the contractual undiscounted cash outflows for financial liabilities, except for the contractual cash outflows for the drawdown of loans from Celestial Pioneer Limited during the six months ended 30 June 2023 of HK\$240,000,000 with a term of 3 years from the date of the respective loan agreements and interest thereon (Note 17(b)).

(c) Price risk

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

Sensitivity analysis

At 30 June 2023, if the price of the Group's investments recognised as financial assets at fair value through profit or loss had been 1% higher/lower with all other variables held constant, the loss for the period would have decreased/increased by approximately HK\$15,000 (31 December 2022: approximately HK\$27,000).

Based on the share price of the Company as at 30 June 2023, if the share price of the Company had been HK\$0.01 higher/lower with all other variables held constant, the fair value of the redemption option of long-term convertible bonds recognised as financial assets at fair value through profit or loss would have increased by approximately HK\$9,535,000 and decreased by approximately HK\$8,169,000 respectively (31 December 2022: increased by approximately HK\$4,904,000 and decreased by approximately HK\$9,311,000 respectively) and the loss for the period would have decreased by approximately HK\$9,535,000 and increased by approximately HK\$8,169,000 respectively (31 December 2022: decreased by approximately HK\$4,904,000 and increased by approximately HK\$9,311,000 respectively).

(d) Fair values of financial instruments

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

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

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

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2023 (unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Listed debt securities	1,511	–	–	1,511
— Redemption option of long-term convertible bonds	–	–	36,962	36,962
	<u>1,511</u>	<u>–</u>	<u>36,962</u>	<u>38,473</u>
At 31 December 2022 (audited)				
Assets				
Financial assets at fair value through profit or loss				
— Listed debt securities	2,673	–	–	2,673
— Redemption option of long-term convertible bonds	–	–	37,408	37,408
	<u>2,673</u>	<u>–</u>	<u>37,408</u>	<u>40,081</u>

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The following table presents the changes in Level 3 financial instrument for the six months ended 30 June 2023 and 2022:

	Unaudited six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Redemption option:		
At the beginning of the period	37,408	87,005
Unrealised fair value change recognised in non-operating expenses, net	(446)	(39,939)
At the end of the period	<u>36,962</u>	<u>47,066</u>

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

	Fair value as at		Unobservable inputs	Range of unobservable inputs as at		Relationship of unobservable inputs to fair value
	30 June 2023	31 December 2022		30 June 2023	31 December 2022	
	(unaudited) HK\$'000	(audited) HK\$'000				
Redemption option of long-term convertible bonds	36,962	37,408	Discount rate	9.34%	9.40%	The higher the discount rate, the lower the fair value of the redemption option of long-term convertible bonds

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

6 REVENUE

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

7 SEGMENT INFORMATION

The Group managed its businesses according to the nature of services provided. The Group's chief operating decision maker (the "CODM"), which comprises executive Directors and senior management of the Company, has determined two reportable operating segments for measuring performance and allocating resources. The segments are media and telecommunications.

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

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

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

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

Segment assets principally comprise all assets with the exception of 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).

Operating segment regarding the domestic pay television programme service was discontinued upon the Licence Termination during the six months ended 30 June 2023. The segment information for the six months ended 30 June 2022 has been re-presented and does not include any amounts for the discontinued operation, which are described in more detail in Note 10.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance from continuing operations for the six months ended 30 June 2023 and 2022 is set out below:

	Unaudited six months ended 30 June					
	Media		Telecommunications		Total	
	2023 HK\$'000	2022 HK\$'000 (restated)	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000 (restated)
Reportable segment revenue	77,817	70,145	185,576	191,663	263,393	261,808
Less: Inter-segment revenue	-	-	-	(104)	-	(104)
Revenue from external customers	<u>77,817</u>	<u>70,145</u>	<u>185,576</u>	<u>191,559</u>	<u>263,393</u>	<u>261,704</u>
Revenue from contracts with customers:						
Timing of revenue recognition:						
At a point in time	1,746	2,439	19,507	17,155	21,253	19,594
Over time	76,071	67,706	165,884	174,205	241,955	241,911
Revenue from other sources:						
Rental income	-	-	185	199	185	199
	<u>77,817</u>	<u>70,145</u>	<u>185,576</u>	<u>191,559</u>	<u>263,393</u>	<u>261,704</u>
Reportable segment (loss)/profit before depreciation and amortisation of other intangible assets	(96,816)	(73,153)	52,753	70,706	(44,063)	(2,447)
Depreciation	(5,449)	(11,690)	(25,607)	(44,052)	(31,056)	(55,742)
Amortisation of other intangible assets	(445)	(1,692)	(4)	(17)	(449)	(1,709)
Reportable segment results before corporate expenses and corporate depreciation	<u>(102,710)</u>	<u>(86,535)</u>	<u>27,142</u>	<u>26,637</u>	<u>(75,568)</u>	<u>(59,898)</u>
Corporate expenses					(32,570)	(29,710)
Corporate depreciation					(1,922)	(6,492)
Loss from operations					(110,060)	(96,100)
Interest income					334	658
Finance costs					(35,547)	(25,065)
Non-operating expenses, net					(659)	(45,125)
Income tax					(3,307)	(7,714)
Loss from continuing operations					<u>(149,239)</u>	<u>(173,346)</u>

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 <i>HK\$'000</i>
Segment assets		
Media	375,574	373,735
Telecommunications	397,681	379,086
	773,255	752,821
Corporate assets	25,274	24,529
Deferred tax assets	99,027	102,144
Total assets	897,556	879,494
Segment liabilities		
Media	1,109,678	913,143
Telecommunications	693,852	692,640
	1,803,530	1,605,783
Corporate liabilities	30,403	13,148
Current tax liabilities	84	92
Total liabilities	1,834,017	1,619,023

During the six months ended 30 June 2023, there were additions of approximately HK\$34,242,000 (2022: approximately HK\$49,387,000) to property, plant and equipment, approximately HK\$322,000 (2022: approximately HK\$681,000) to right-of-use assets and approximately HK\$16,793,000 (2022: approximately HK\$24,413,000) to programming library, respectively.

Geographical segment:

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

Information about major customer:

Revenue of approximately HK\$58,085,000 (2022: approximately HK\$55,148,000) were derived from a single external customer during the six months ended 30 June 2023, of which approximately HK\$57,055,000 (2022: approximately HK\$54,148,000) and approximately HK\$1,030,000 (2022: approximately HK\$1,000,000) were attributed to the telecommunications segment and the media segment, respectively.

8 LOSS BEFORE TAXATION

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

	Unaudited	
	six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Finance costs		
— Interest expenses on interest-bearing borrowings	14,501	3,737
— Interest expenses on lease liabilities	794	1,979
— Interest expenses on convertible bonds	20,252	19,349
Other items		
Depreciation		
— assets held for use under operating leases	379	4,246
— other assets	29,772	46,118
— right-of-use assets	2,827	11,870
	<u>32,978</u>	<u>62,234</u>
Amortisation		
— programming library*	7,194	9,325
— other intangible assets	449	1,709
— contract acquisition costs	5,402	4,623
Non-operating expenses, net		
— net gain on disposal of plant and equipment	(133)	(47)
— fair value losses on financial assets at fair value through profit or loss	1,608	45,172
	<u>1,608</u>	<u>45,172</u>

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

9 INCOME TAX

Hong Kong and other jurisdictions profits tax has been provided at the rate of 16.5% (2022: 16.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

	Unaudited	
	six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Continuing operations		
Current income tax		
Provision for the period	190	89
Deferred income taxation	3,117	7,625
	<u>3,307</u>	<u>7,714</u>
Income tax	<u>3,307</u>	<u>7,714</u>

10 DISCONTINUED OPERATION

(a) Description

In view of the rapidly changing media landscape in Hong Kong and fierce competition among the global paid TV content providers and pay TV operators, HKC, a subsidiary of the Company, obtained approval from the Government of the Hong Kong Special Administrative Region on 14 February 2023 for the termination of the Pay TV Licence with effect from 1 June 2023, which was reported in the Interim Financial Information for the six months ended 30 June 2023 as a discontinued operation.

(b) Financial performance and cash flow information

Financial information relating to discontinued operation for the six months ended 30 June 2023 and 2022 are set out below.

	Unaudited 30 June 2023 <i>HK\$'000</i>	Unaudited 30 June 2022 <i>HK\$'000</i>
Statement of profit or loss and other comprehensive income from discontinued operation:		
Revenue	118,228	169,726
Operating expenses	(165,975)	(222,254)
Loss before taxation	(47,747)	(52,528)
Income tax	–	–
Loss from discontinued operation	(47,747)	(52,528)
Exchange differences on translation of discontinued operation	–	–
Total comprehensive income from discontinued operation	(47,747)	(52,528)
Cash flows from discontinued operation:		
Net cash outflow from operating activities	(54,569)	(29,783)
Net cash outflow from investing activities	–	(5,939)
Net decrease in cash generated by the discontinued operation	(54,569)	(35,722)
Basic loss per share from discontinued operation	(0.7) HK cents	(0.8) HK cents
Diluted loss per share from discontinued operation	(0.7) HK cents	(0.8) HK cents

Re-presentation of comparative figures

During the period ended 30 June 2023, the Group discontinued its pay television operation upon the Licence Termination with effect from 1 June 2023. Accordingly, the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the period ended 30 June 2022 have been re-presented.

11 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	six months ended 30 June	
	2023	2022
		(restated)
Loss from continuing operations attributable to equity shareholders of the Company (HK\$'000)	(149,239)	(173,346)
Loss from discontinued operation attributable to equity shareholders of the Company (HK\$'000)	(47,747)	(52,528)
Loss attributable to equity shareholders of the Company (HK\$'000)	(196,986)	(225,874)
Weighted average number of ordinary shares in issue	<u>7,134,623,520</u>	<u>7,134,623,520</u>
Basic loss per share for loss from continuing operations (HK cents)	(2.1)	(2.4)
Basic loss per share for loss from discontinued operation (HK cents)	<u>(0.7)</u>	<u>(0.8)</u>
Total basic loss per share (HK cents)	<u><u>(2.8)</u></u>	<u><u>(3.2)</u></u>

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 June 2023 and 2022 equals to the basic loss per share since the conversion rights attached to the unlisted long-term convertible bonds would not have a dilutive effect on the loss per share.

12 DEFERRED TAX ASSETS

As at 30 June 2023, 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\$99,027,000 (unaudited) (31 December 2022 (audited): approximately HK\$102,144,000), being the net balance of deferred tax assets arising from tax losses of approximately HK\$149,293,000 (unaudited) (31 December 2022 (audited): approximately HK\$152,410,000) and deferred tax liabilities arising from depreciation allowances in excess of the related depreciation of approximately HK\$50,266,000 (unaudited) (31 December 2022 (audited): approximately HK\$50,266,000). The deferred tax assets recognised as at 30 June 2023 was determined after considering the estimated future taxable profits and the timing of utilisation of the tax losses in the relevant subsidiary of the Company. The subsidiary has a history of recent losses in preceding periods. The estimated future taxable profits of the relevant subsidiary of the Company take into account the expected growth of the business due to the operating environment, business strategies, business development, approved business plans, the effect of the tax planning as well as the trend of the performance of the relevant subsidiary of the Company. Deferred tax assets were recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

13 TRADE RECEIVABLES AND CONTRACT ASSETS

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	62,257	83,422
Contract assets	16,979	22,797
	<u>79,236</u>	<u>106,219</u>

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
0 to 30 days	37,101	47,462
31 to 60 days	6,799	11,332
61 to 90 days	5,925	6,766
Over 90 days	12,432	17,862
	<u>62,257</u>	<u>83,422</u>

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

14 TRADE PAYABLES

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

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 <i>HK\$'000</i>
0 to 30 days	5,379	5,947
31 to 60 days	16,541	17,430
61 to 90 days	9,252	12,301
Over 90 days	25,024	14,600
	56,196	50,278

15 SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares, issued and fully paid: At 1 January 2022, 30 June 2022 (unaudited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	7,134,623,520	7,928,975

16 CONVERTIBLE BONDS

(i) The 2019 LCS

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

On the date of issuance of the 2019 LCS, the fair value of liability component of approximately HK\$343,719,000 was recognised and the fair value of approximately HK\$224,281,000, representing equity element, was recognised and presented in equity heading “equity component of convertible bonds” at initial recognition. The effective interest rate of the liability component was 7.69% per annum. As at 30 June 2023, the carrying amount of liability component of the 2019 LCS is approximately HK\$415,145,000 (31 December 2022: approximately HK\$405,277,000).

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

(ii) The 2021 LCS

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

On the date of issuance of the 2021 LCS, the fair value of liability component of approximately HK\$131,806,000 was recognised, the fair value of approximately HK\$144,610,000, representing equity element, was recognised and presented in equity heading “equity component of convertible bonds” and the fair value of the redemption option of approximately HK\$78,061,000 was recognised as financial assets at fair value through profit or loss at initial recognition. The effective interest rate of the liability component was 6.88% per annum. As at 30 June 2023, the carrying amount of liability component and redemption option of the 2021 LCS is approximately HK\$143,478,000 (31 December 2022: approximately HK\$140,763,000) and approximately HK\$36,962,000 (31 December 2022: approximately HK\$37,408,000) respectively.

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

17 INTEREST-BEARING BORROWINGS

	Unaudited 30 June 2023			Audited 31 December 2022		
	Current	Non- current	Total	Current	Non- current	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loan (<i>Note (a)</i>)	295,000	–	295,000	295,000	–	295,000
Loans from Celestial Pioneer Limited (<i>Note (b)</i>)	–	536,035	536,035	–	296,035	296,035
Total borrowings	<u>295,000</u>	<u>536,035</u>	<u>831,035</u>	<u>295,000</u>	<u>296,035</u>	<u>591,035</u>

Notes:

- (a) The carrying amount of bank loan denominated in Hong Kong dollar as at 30 June 2023 was HK\$295,000,000 (31 December 2022: HK\$295,000,000), which is unsecured, carries interest at variable rates and repayable on demand.
- (b) The carrying amount of the loans from Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top and wholly-owned Dr. Cheng Kar-Shun, Henry, the Director) denominated in Hong Kong dollar as at 30 June 2023 was approximately HK\$536,035,000 (31 December 2022: HK\$296,035,000), which are unsecured, carry interest at fixed rates ranging from 2.5% to 5.0% per annum and with a term of 3 years from the date of the respective loan agreements.

The maturity of interest-bearing borrowings was as follows:

	Bank loan		Loans from Celestial Pioneer Limited		Total	
	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2023	Audited 31 December 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year or on demand	295,000	295,000	–	–	295,000	295,000
After 1 year but within 5 years	–	–	536,035	296,035	536,035	296,035
	<u>295,000</u>	<u>295,000</u>	<u>536,035</u>	<u>296,035</u>	<u>831,035</u>	<u>591,035</u>

18 DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: HK\$Nil).

19 CAPITAL COMMITMENTS

Capital commitments outstanding are as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 <i>HK\$'000</i>
Property, plant and equipment		
— Contracted but not provided for	3,111	6,709
Programming library		
— Contracted but not provided for	5,021	5,301
	8,132	12,010

20 GUARANTEES

As at 30 June 2023, a corporate guarantee of HK\$295,000,000 (31 December 2022: HK\$400,000,000) had been provided by the Company to a bank in respect of the facility of borrowing up to HK\$295,000,000 (31 December 2022: HK\$400,000,000) to a wholly-owned subsidiary of the Company of which HK\$295,000,000 (31 December 2022: HK\$295,000,000) was utilised by the wholly-owned subsidiary of the Company.

As at 30 June 2023, the Group had made arrangements with a bank to provide two separate performance bonds to counterparties amounting to HK\$39,830,000 (31 December 2022: HK\$39,830,000), of which HK\$9,830,000 (31 December 2022: HK\$9,830,000) was secured by bank deposits. The performance bonds are to guarantee in favour of the counterparties the Group's performance in fulfilling the obligations under a contract and the requirements as set out in the license issued by a regulatory body.

21 EVENTS AFTER THE REPORTING PERIOD

1. On 21 July 2023, CABLE NETWORK COMMUNICATIONS LIMITED (a wholly-owned subsidiary of the Company), has duly accepted (as tenant) seven offers to lease (the "Offers to Lease") from the respective landlords and the allowance offer letter (the "Allowance Offer Letter") in connection with leasing of the premises. Details of the Offers to Lease and the Allowance Offer Letter are set out in the announcement of the Company dated 21 July 2023.
2. On 2 August 2023, HKC, as the borrower, entered into a loan agreement with Celestial Pioneer Limited (a company holding 72.0% of the total number of issued shares of Forever Top and is wholly-owned by Dr. Cheng Kar-Shun, Henry, the Director) as the lender, pursuant to which, HKC obtained an unsecured loan with a principal amount of HK\$80,000,000, which carries interest at fixed rate 5.0% per annum and with a term of 3 years from the date of the said loan agreement.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the Shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. During the six months ended 30 June 2023, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. Also, Code Provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Non-executive directors' attendance at general meetings is important. Dr. Cheng Kar-Shun, Henry (the chairman of the Board and a non-executive Director), Ms. Ng Yuk Mui Jessica (a non-executive Director) and Mr. Luk Koon Hoo, Roger (an independent non-executive Director) were unable to attend the annual general meeting of the Company held on 16 June 2023 ("2023 AGM") and the general meeting of the Company held on 16 June 2023 respectively as each of Dr. Cheng Kar-Shun, Henry, Ms. Ng Yuk Mui Jessica and Mr. Luk Koon Hoo, Roger had other engagements at the time of such meeting. In the absence of the chairman of the Board at the 2023 AGM, Mr. Tsang On Yip, Patrick, the vice-chairman of the Board and an executive Director, acted as the chairman of the 2023 AGM to ensure an effective communication with the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiries to all the Directors, was not aware of any non-compliance with the required standard set out in the Model Code during the six months ended 30 June 2023.

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has set up an audit committee (the “Audit Committee”) with majority of the members being the independent non-executive Directors with terms of reference in accordance with the requirements of the Listing Rules for the purposes of, among others, reviewing the financial information of the Group, and overseeing the Group’s financial reporting system, and risk management and internal control systems, as well as the Group’s corporate governance matters. As at the date of this announcement, the Audit Committee comprises Mr. Luk Koon Hoo, Roger (an independent non-executive Director and the chairman of the Audit Committee), Prof. Hu Shao Ming Herman (an independent 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 2023 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 2023 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023.

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

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises ten Directors, namely Dr. Cheng Kar-Shun, Henry (Chairman) as non-executive Director; Mr. Tsang On Yip, Patrick (Vice-chairman), Mr. Lie Ken Jie Remy Anthony Ket Heng, Mr. To Chi Hak (Chief Executive Officer) and Dr. Luk Wai Ki Elvis as executive Directors; Ms. Ng Yuk Mui Jessica as non-executive Director; and Mr. Lam Kin Fung Jeffrey, Prof. Hu Shao Ming Herman, Mr. Luk Koon Hoo, Roger and Mr. Tang Sing Ming Sherman as independent non-executive Directors.