



2004 INTERIM REPORT

i-CABLE COMMUNICATIONS LIMITED



About the Company

i-CABLE Communications Limited is Hong Kong's leading integrated communications company. It owns and operates one of two near universal broadband telecommunications networks in the territory; creates its own multimedia contents; and offers Pay Television and Broadband services at the same time.

The Group's mission is to connect the people of Hong Kong with its growing portfolio of information, entertainment and telecommunications services to enhance their lifestyles.



WELL BRACED FOR NEW COMPETITION

Results Highlights

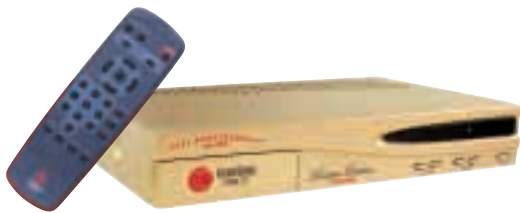
- Turnover increased by 11% to HK\$1,154 million (2003: HK\$1,037 million).
- Net profit increased by 55% to HK\$147 million (2003: HK\$95 million).
- An interim dividend of 3 cents (2003: 1.5 cents) per share will be paid.

Pay TV – Record Turnover and Operating Profit

- Subscribers grew by 9% year-on-year to 682,000 (2003: 625,000).
- ARPU increased by HK\$3 to HK\$222 (2003: HK\$219).
- Turnover increased by 9% to HK\$920 million (2003: HK\$844 million).
- Operating profit increased by 12% to HK\$235 million (2003: HK\$210 million).

Internet & Multimedia – On Firm Ground Towards Profitability

- Broadband subscribers grew by 7% year-on-year to 263,000 (2003: 247,000).
- ARPU increased by 14% to HK\$142 (2003: HK\$125).
- Turnover increased by 21% to HK\$232 million (2003: HK\$193 million).
- Operating loss narrowed to HK\$27 million (2003: HK\$48 million).





Group Results

The unaudited Group profit attributable to Shareholders for the six months ended June 30, 2004 amounted to HK\$147 million, as compared to HK\$95 million for the corresponding period in 2003. Basic and diluted earnings per share were both 7.3 cents for 2004, as compared with both 4.7 cents last year.



Interim Dividend

The Board has declared an interim dividend in respect of the six-month period ended June 30, 2004 of 3 cents (2003: 1.5 cents) per share, payable on Tuesday, October 12, 2004 to Shareholders on record as at October 5, 2004.

Business Review

Overview

The Group operated in a mixed environment during the first half of the year. An improving economy instilled greater demand-side consumer confidence on the one hand, while supply-side competition heightened on the other. In that context, the Group was able to exceed all past performances in the first half but uncertainties cloud the second half.

Surpassing all previous periods, revenue in the first half rose by 11% to HK\$1,154 million (2003: HK\$1,037 million), EBITDA (earnings before interest, tax, depreciation and amortisation) rose by 12% to HK\$423 million (2003: HK\$378 million), and net income rose by 55% to HK\$147 million (2003: HK\$95 million).

Buoyed by an improved economy and the carriage of the UEFA EURO 04 football tournament, Pay Television subscribers grew by 27,000 in the half to reach 682,000 at the end of June. Operating profit increased by 12% year-on-year to HK\$235 million, on the back of strong subscription growth and commercial airtime sales performance during the period.

Despite a slower growth rate consistent with the development of the overall market, Broadband subscribers rose to 263,000 and continued to report ARPU recovery with successful service enhancement through network upgrade and more value-added services. Revenue improved year-on-year by 21% to HK\$232 million.





The Group continued to take initial steps to expand its markets beyond Hong Kong. At the same time as the Group expanded distribution of its satellite-delivered Horizon Channel, a landmark agreement was reached in June for the channel to officially land in its entirety over Shenzhen Cable. In July, the Group concluded an agreement for the Horizon Channel to be distributed in the Americas over a satellite platform starting in September.

Operating Environment and Competition

The competitive landscape was extremely fluid during the first half. While two more competitors, Yes TV and TV Plus, threw in their towels, exTV (operated by Intelsat and TVB) officially launched its service in February; and NOW Broadband TV (operated by PCCW) has been attacking the market aggressively.



While the competition has reportedly developed a sizable subscriber base, it has not so far made a material impact on our Pay Television subscription. On the other hand, the competition has been particularly aggressive in amassing popular content, which has led to a significant rise in programme acquisition costs to put pressure on margin. CABLE TV's recent contract for the next three seasons of the popular English Premier League is a clear case in point.

On the Broadband front, the Group responded to the competition in May by offering bundling with a mini-basic Pay Television package. Subscriber growth regained momentum. While the overall revenue to the Group from bundling is little affected, the Broadband margin would on a segmental basis face some erosion.

Looking ahead, the operating environment is not expected to improve with competition on both fronts becoming increasingly keen. The Group will continue to grow its revenue by enhancing its programming with the addition of more channels and improving the performance of its Broadband service while at the same time, exercise tight control over other operating costs to offset the unavoidable increase in content costs.

Pay Television Service

Pay Television business continued to grow in the first half of 2004. Subscription rose to 682,000 at the end of June, which represented a 4% net gain over the 6-month period.



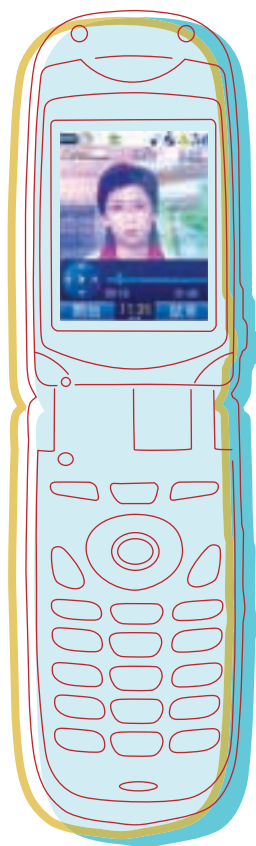


With subscription and commercial airtime sales both performing well, turnover for the segment rose by 9% to HK\$920 million (2003: HK\$844 million). However, operating expenses rose by 10% to HK\$540 million (2003: HK\$491 million) primarily due to the increase in content costs. That resulted in EBITDA rising by 8% to HK\$380 million (2003: HK\$353 million) and operating profit rising by 12% to HK\$235 million (2003: HK\$210 million).

The Group has substantially completed its migration to digital broadcasting and continued to expand its programming platform with the addition of more channels. By the end of July, CABLE TV was broadcasting 86 channels on its platform, 45 of which in the basic package, to offer viewers wide programme choice.

The first half of 2004 saw the unfolding of the most anticipated soccer event of the year – the UEFA EURO 04. The tournament created another wave of soccer fever in town after the World Cup two years ago.

Apart from EURO 04, CABLE TV continued to satisfy the thirst for soccer, bringing to Hong Kong live excitement from top soccer leagues from Europe and elsewhere. These include Serie A, La Liga and Bundesliga. The latest acquisition will in addition guarantee the exclusive live coverage on CABLE TV of



the most popular soccer tournament for the Hong Kong market, English Premier League, for the next three seasons.

A new look sports platform will be launched when the new football season opens in August. A dedicated English Premier League Channel will carry 370 matches each season (with at least 260 matches live) from the world's most popular soccer tournament. A Soccer Betting Channel will be providing soccer fans and punters with non-stop action and soccer information round the clock.

In a year full of political and other developments in Hong Kong and around the world, Cable News maintained its popularity among subscribers as one of the most watched channels in the CABLE TV stable.

The entertainment platform also grew. A series of programming and marketing initiatives since February has brought viewership improvements across the various channels. Cable Entertainment News channel has not only achieved consistent viewership improvements during its first year of operation, but also won valuable industry recognition. The channel has now become the leading platform for local and regional movie and entertainment news and events.





After its formal launch in October last year, the Group's satellite channel, Horizon Channel, is expanding its distribution to foreign residential compounds and hotels in the Mainland as well as through programme syndications and various collaborations. Riding on the rapid development of digital cable TV networks in China, Horizon Channel has begun providing programmes to meet the growing demand from those digital networks so as to broaden its coverage in the Mainland.

Internet and Multimedia Services

Performance of the Broadband segment continued its recovery with successful service enhancement through network upgrade and the introduction of value-added services. As overall market growth slowed down, Broadband subscription grew to 263,000 by the end of June.

Financially, with turnover rising by 21% to HK\$232 million (2003: HK\$193 million) and EBITDA rising by 41% to HK\$99 million (2003: HK\$71 million), the operating loss reported for the segment fell by 44% to HK\$27 million (2003: HK\$48 million).

Subscription growth was particularly noticeable in the second quarter with the introduction of a bundled marketing package with CABLE TV. Continued portal content enhancement has also brought significantly improved income from value-added services.



During the period under review, the Group continued to consolidate its role as the leading multimedia content supplier in Hong Kong, with the conclusion of additional content agreements with mobile service operators. This has not only enabled the Group to derive additional income, but also enhanced the reach of our wide variety of news, sports and entertainment programmes.

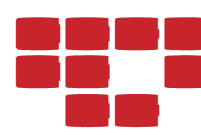
Performance of this business has continued its recovery and the Group will continue to expand its penetration, enhance its service quality, and introduce more value-added services to seek an early return to profitability.

Prospects

Investment on programme and service enhancements has enabled the Group to benefit from the economic recovery since the second half of last year to grow its Pay Television and Broadband subscribers and improve its profitability during the first half of this year.



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The Group will continue to improve its service and the latest initiative will be the introduction of a satellite service later this year to cover homes previously not reached by our fibre or microwave networks.

These investments have and will equip the Group with prime programming and service improvements to face up to new competition. The Group now parades 86 channels, providing the territory's most comprehensive programming and subscription choice to viewers. We are confident that our Pay Television will continue to be competitive in the new market environment and will prevail over the new competition.

Our consistent efforts to improve service quality and to provide value-added services have enabled our Broadband service to stay relatively unscathed through a period of cut-throat competition. As the market began to consolidate, we focused on rebuilding our growth momentum and profitability. These efforts have begun to be rewarded by gains in subscription and revenue in the first half of the year. We shall continue to work on the goal for an early return to profitability for this segment.

Our efforts to expand our service beyond Hong Kong is beginning to bear fruit. Our Horizon Channel has expanded rapidly both in terms of distribution and recognition in the Mainland. We shall soon begin to distribute the channel to the Americas. Albeit a modest start, we have successfully established a beachhead in some of our

future target markets and we shall continue to build on that foundation.

New competition has unavoidably created pressure within the industry and we need to continue to enhance our programming and service quality to consolidate our leadership position. It will make our task ahead all the more challenging. However, the Group has gone through worse external environments before and we are confident that we would continue to grow like the rest of Hong Kong.

Commentary on Interim Results

A. Review of 2004 Interim Results

The financial results of the Group's two core business segments both showed considerable improvement over the same period in the prior year. Consolidated turnover increased by 11% to HK\$1,154 million. Pay Television turnover increased by 9% to HK\$920 million as a result of subscriber growth and strong increase in airtime sales. Internet & Multimedia turnover increased by 21% to HK\$232 million mainly as a result of recovery in Broadband ARPU which recorded a 14% year-on-year increase to HK\$142.



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Operating costs before depreciation increased by 11% to HK\$731 million. The increase was primarily attributable to a 15% increase in programming costs mainly due to UEFA EURO 2004 and the new Super Soccer Channel and Cable Entertainment News Channel launched in the second half of 2003. Network and other operating costs increased by 8% to HK\$188 million mainly due to higher customer service cost and provision for obsolete inventories. Selling, general and administrative expenses increased by 6% to HK\$177 million due primarily to higher marketing expenses and sales commissions.

Earnings before interest, tax, depreciation and amortization or EBITDA rose by 12% to HK\$423 million to surpass all previous periods. EBITDA margin increased to 37% from 36% in 2003.

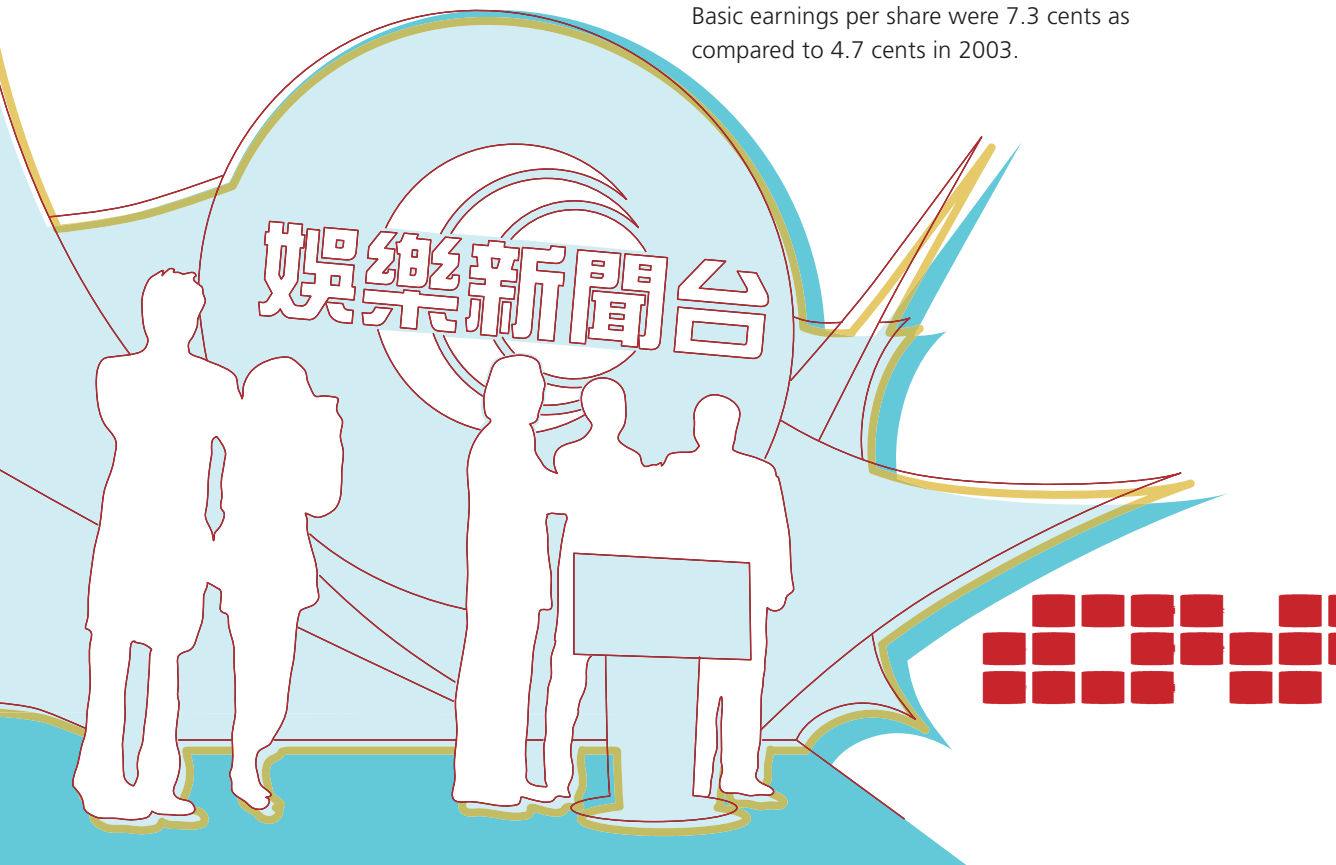
Depreciation increased by 4% to HK\$274 million due mainly to further capital investments in digital set-top boxes, cable modems and related broadband equipment, which were partly offset by lower depreciation on network assets following the expiration of their depreciation cycle.

Profit from operations of HK\$149 million was achieved for the period, representing a HK\$36 million or 32% increase over the HK\$114 million level reported in the first half of 2003.

Interest income decreased by HK\$5 million due to a substantial drop in surplus cash balance following the full redemption of the fixed rate convertible bonds in November 2003, with a corresponding HK\$9 million year-on-year drop in finance costs.

Profit attributable to shareholders for the first half of 2004 increased by HK\$52 million or 55% to a record high of HK\$147 million.

Basic earnings per share were 7.3 cents as compared to 4.7 cents in 2003.





B. Segmental Information

Pay Television

Notwithstanding new competition in the market, subscribers grew by 27,000 in the first half of 2004 as compared to 19,000 a year ago to reach 682,000 as a result of strengthened programming contents and an improved economy compared to one year ago. Pay Television ARPU held up well at HK\$222 as compared to HK\$219 in the first half of 2003. Turnover increased by 9% under an improved economy. Operating costs before depreciation increased by 10% due mainly to the additional programming investments mentioned earlier while depreciation was relatively stable at HK\$145 million. EBITDA increased by 8% to HK\$380 million while operating profit rose by 12% to HK\$235 million, both record highs for the segment.

Internet & Multimedia

Subscribers grew by 6,000 in the first half of 2004 to 263,000 as overall market growth slowed down compared to last year. With successful service enhancement through network upgrade and the introduction of value-added services, ARPU increased by 14% year-on-year to HK\$142. This coupled with subscriber growth pushed turnover up by 21% to HK\$232 million. Operating costs before depreciation increased by 9% to HK\$133 million due mainly to increase in customer service and marketing costs. EBITDA increased by 41% to HK\$99 million. Depreciation increased by 6% to HK\$126 million mainly due to capital expenditure on network and transmission technology

upgrade. Operating loss under a full cost allocated basis for network cost narrowed to HK\$27 million as compared to HK\$48 million in the first half of 2003.

C. Liquidity and Financial Resources

As of June 30, 2004, the Group had net surplus cash of HK\$30 million, as compared to a net debt of HK\$130 million a year ago. All the Group's cash and cash equivalents were denominated in Hong Kong dollars.

The consolidated net asset value of the Group as at June 30, 2004 was HK\$1,751 million, or HK\$0.87 per share. There was no charge on any of the Group's assets.

The Group's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong dollars or U.S. dollars and the exchange rate between these two currencies has remained pegged. To the extent there were any exchange risk, the Group made use of financial instruments, where appropriate, to manage those risks.

Capital expenditure during the period amounted to HK\$235 million as compared to HK\$178 million in the same period last year. Major items included investments on digital set-top boxes, cable modems, television production facilities as well as further network upgrade and expansion. The digital conversion program on the Pay Television service is now substantially completed. Ongoing capital expenditures are expected to be funded by cash generated from operations and if needed bank borrowings or other external sources of funds.

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D. Contingent Liabilities

At June 30, 2004, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to bank overdraft and guarantee facilities of up to HK\$649 million of which only HK\$618 million was utilised by the subsidiaries.

The Group is in discussions with the Inland Revenue Department ("IRD") regarding previous years' tax affairs of two partnerships under the Group pursuant to a leveraged leasing arrangement entered into during 1993 to 1995.

In order to preserve its right, the IRD has issued protective profits tax assessments totalling HK\$258 million against the two partnerships and other Group entities involved in the arrangement, relating to the years of assessment 1995/96 to 2002/03. The IRD has agreed to hold over the tax charged subject to the Group's purchase of tax reserve certificates in the amount of HK\$18 million.

The outcome of the discussions is uncertain but in the meantime, management has obtained external advice in respect of this matter and considers that no provision for profits tax in respect of the protective assessments is necessary and estimates that the contingent tax exposure at June 30, 2004 amounted to HK\$106 million, of which HK\$64 million will be indemnified by the Group's immediate holding company, Wharf Communications Limited, such that the contingent tax exposure for the Group is estimated at HK\$42 million.

E. Human Resources

The Group had a total of 3,003 employees at the end of the first half of 2004. Total salaries and related costs incurred in the corresponding period amounted to HK\$371 million.

Over the years, our performance management system of accountability for business performance has successfully instilled a pay-for-performance culture and thereby established a team of capable and highly motivated employees. Every member of the workforce has continuously contributed their best to overcome the many challenges and competition in the operating environment towards the long-term success of i-CABLE.



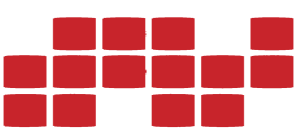


Compliance with Code of Best Practice

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at any time during the six months ended June 30, 2004.



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Consolidated Profit and Loss Account

Six months ended June 30, 2004 – unaudited



	Note	Six months ended June 30,	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	1,154,447	1,036,705
Programming costs		(366,624)	(317,648)
Network and other operating expenses		(187,535)	(174,393)
Selling, general and administrative expenses		(177,069)	(166,693)
Profit from operations before depreciation		423,219	377,971
Depreciation		(273,740)	(264,352)
Profit from operations	2	149,479	113,619
Interest income	3	3	5,055
Finance costs	3	(72)	(9,403)
Non-operating expense		(1,494)	(5,050)
Profit before taxation	3	147,916	104,221
Income tax	4	(620)	(8,931)
Profit attributable to shareholders		147,296	95,290
Dividends attributable to the period			
Final dividend in respect of the previous financial year, declared during the period		80,769	30,289
Interim dividend declared after the balance sheet date		60,577	30,289
	6	141,346	60,578
Earnings per share			
Basic	5	7.3 cents	4.7 cents
Diluted	5	7.3 cents	4.7 cents

The notes on pages 16 to 23 form part of this interim financial report.

Consolidated Balance Sheet

At June 30, 2004 – unaudited



		At June 30, 2004	At December 31, 2003
	Note	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	2,122,562	2,169,729
Programming library	8	127,592	142,171
Deferred tax assets		112,361	112,600
Non-current investments	9	9,725	9,725
		2,372,240	2,434,225
Current assets			
Inventories		16,284	17,511
Accounts receivable from trade debtors	10	127,281	112,054
Deposits, prepayments and other receivables		120,255	84,693
Amounts due from fellow subsidiaries		2,935	3,453
Cash at bank and in hand		30,365	28,915
		297,120	246,626
Current liabilities			
Amounts due to trade creditors	11	82,436	48,520
Accrued expenses and other payables		350,671	441,369
Receipts in advance and customers' deposits		224,051	241,753
Taxation		128,695	131,055
Dividend payable in respect of the previous financial year		54	–
Amounts due to fellow subsidiaries		19,903	20,606
Amount due to immediate holding company		14	300
		805,824	883,603
Net current liabilities		(508,704)	(636,977)
Total assets less current liabilities		1,863,536	1,797,248
Non-current liabilities			
Deferred tax liabilities		112,361	112,600
NET ASSETS		1,751,175	1,684,648
Capital and reserves			
Share capital	12	2,019,234	2,019,234
Reserves		(268,059)	(334,586)
		1,751,175	1,684,648

The notes on pages 16 to 23 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2004 – unaudited



	Six months ended June 30,	
	2004 HK\$'000	2003 HK\$'000
Operating activities		
Profit before taxation	147,916	104,221
Adjustments for:		
Net finance costs	69	4,348
Depreciation	273,740	264,352
Amortisation of programming library	49,677	42,955
Others	3,484	8,246
Operating profit before changes in working capital	474,886	424,122
Changes in working capital	(112,361)	(145,863)
Cash generated from operations	362,525	278,259
Interest received	3	6,108
Interest paid	(72)	(9,457)
Hong Kong taxation paid	(2,961)	–
Overseas taxation paid	(19)	–
Net cash from operating activities	359,476	274,910
Investing activities		
Purchase of property, plant and equipment	(227,269)	(177,843)
Other net investing activities	(50,041)	(15,312)
Net cash used in investing activities	(277,310)	(193,155)
Net cash used in financing activities	(80,716)	(82,618)
Net increase/(decrease) in cash and cash equivalents	1,450	(863)
Cash and cash equivalents at January 1	28,915	6,696
Cash and cash equivalents at June 30	30,365	5,833

The notes on pages 16 to 23 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2004 – unaudited



	Share capital HK\$'000	Reserves		Total HK\$'000
		Share premium HK\$'000	Revenue reserve HK\$'000	
Balance at January 1, 2004*	2,019,234	4,838,365	(5,172,951)	1,684,648
Profit for the period	–	–	147,296	147,296
Dividend approved in respect of the previous year	–	–	(80,769)	(80,769)
Balance at June 30, 2004*	2,019,234	4,838,365	(5,106,424)	1,751,175

* Included in the Group's revenue reserve is positive goodwill written off against reserves in prior years amounting to HK\$197,785,000.

The notes on pages 16 to 23 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

Note 1 Basis of preparation and comparative figures

The unaudited interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the annual accounts for the year ended December 31, 2003 have been applied to the interim financial report.

Note 2 Segment information

Business segment

	Segment revenue Six months ended June 30,		Segment result Six months ended June 30,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Pay television	920,166	843,914	235,330	210,202
Internet and multimedia	232,462	192,791	(26,520)	(47,662)
			208,810	162,540
Unallocated	1,819	–	(59,331)	(48,921)
	1,154,447	1,036,705	149,479	113,619

Geographical segment

During the periods presented, less than 10% of the Group’s turnover and operating profit were derived from activities conducted outside Hong Kong.

**Note 3 Profit before taxation**

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

	Six months ended	
	June 30,	
	2004	2003
	HK\$'000	HK\$'000
Interest income		
Interest income from listed investments	–	(205)
Interest income from deposits with banks and other financial institutions	(3)	(4,850)
	(3)	(5,055)
Finance costs		
Interest expenses on bank loans and overdrafts repayable within five years	72	3,403
Interest expenses on convertible bonds repayable within five years	–	6,000
	72	9,403
Other items		
Depreciation	273,740	264,352
Amortisation of programming library*	49,677	42,955

* Amortisation of programming library is included within programming costs in the consolidated profit and loss account of the Group.

Note 4 Income tax in the consolidated profit and loss account

Taxation in the consolidated profit and loss account represents:

	Six months ended	
	June 30,	
	2004	2003
	HK\$'000	HK\$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	–	70,066
Under provision in respect of prior year	589	–
	589	70,066

Current tax – Overseas		
Tax for the year	31	–

Deferred tax		
Reversal of temporary differences	–	(69,143)
Effect of increase in tax rate on deferred tax balance at January 1	–	8,008
	–	(61,135)

	620	8,931

The provision for Hong Kong Profits Tax is calculated separately on the taxable profit of each entity within the Group at 17.5% (2003: 17.5%). Taxation for overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant country.

Note 5 Basic and diluted earnings per share*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$147,296,000 (2003: HK\$95,290,000) and the weighted average number of ordinary shares outstanding during the period of 2,019,234,400 (2003: 2,019,234,400).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK\$147,296,000 (2003: HK\$95,290,000) and the weighted average number of ordinary shares of 2,019,234,400 (2003: 2,019,234,400) after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

The Company's convertible bonds were all redeemed at par in November 2003. During 2003, the potential issue of ordinary shares in connection with the Company's convertible bonds would not give rise to a decrease in earnings per share. Accordingly, the convertible bonds had no dilutive effect on the calculation of diluted earnings per share for both 2003 and 2004.

**Note 6 Dividends**

	Six months ended	
	June 30,	
	2004	2003
	HK\$'000	HK\$'000
Final dividend of 4 cents per share (2003: 1.5 cents) in respect of the previous financial year, declared during the period	80,769	30,289
Interim dividend declared after the balance sheet date of 3 cents per share (2003: 1.5 cents)	60,577	30,289
	141,346	60,578

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

Note 7 Property, plant and equipment

	2004 HK\$'000
Net book value at January 1	2,169,729
Additions – Network, decoders, cable modems and television production systems	222,082
– Others	13,361
Disposals	(1,670)
Depreciation	(273,740)
Impairment loss	(5,028)
Reclassification	(2,172)
Net book value at June 30	2,122,562

Note 8 Programming library

	2004 HK\$'000
Net book value at January 1	142,171
Programming licences and rights acquired	35,098
Amortisation	(49,677)
Net book value at June 30	127,592

Note 9 Non-current investments

	At June 30, 2004 HK\$'000	At December 31, 2003 HK\$'000
Unlisted equity securities	9,725	9,725

Note 10 Accounts receivable from trade debtors

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

	At June 30, 2004 HK\$'000	At December 31, 2003 HK\$'000
0 to 30 days	91,688	67,615
31 to 60 days	12,012	19,526
61 to 90 days	12,004	12,530
Over 90 days	11,577	12,383
	127,281	112,054

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days.

Note 11 Amounts due to trade creditors

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

	At June 30, 2004 HK\$'000	At December 31, 2003 HK\$'000
0 to 30 days	7,818	17,493
31 to 60 days	8,976	7,952
61 to 90 days	27,163	14,125
Over 90 days	38,479	8,950
	82,436	48,520

**Note 12 Share capital**

There was no movement in the share capital of the Company during the six months ended June 30, 2004.

At June 30, 2004, the outstanding options granted under the Company's share option scheme were:

Date options granted	Period during which options exercisable	Exercise price per share	Number of options		
			At January 1, 2004	Lapsed during the period	At June 30, 2004
February 8, 2000	April 1, 2001 to December 31, 2009	HK\$10.49	16,270,000	(330,000)	15,940,000
February 19, 2001	July 1, 2002 to December 31, 2005	HK\$3.30	12,141,500	(296,900)	11,844,600
October 9, 2002	January 1, 2004 to December 31, 2005	HK\$3.30	380,000	-	380,000

Note 13 Commitments

Commitments outstanding as of June 30, 2004 not provided for in the accounts were as follows:

	At June 30, 2004 HK\$'000	At December 31, 2003 HK\$'000
Capital commitments		
– Authorised and contracted for	75,899	78,240
– Authorised but not contracted for	112,411	154,487
	188,310	232,727
Programming and other commitments		
– Authorised and contracted for	747,419	217,294
– Authorised but not contracted for	95,522	25,652
	842,941	242,946
Operating lease commitments	65,794	78,217
	1,097,045	553,890



Note 14 Contingent liabilities

As at June 30, 2004, there were contingent liabilities in respect of the following:

- (a) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.
- (b) Guarantees, indemnities and letters of awareness to banks totalling HK\$649 million (December 31, 2003: HK\$185 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at June 30, 2004, HK\$618 million (December 31, 2003: HK\$55 million) was utilised by the subsidiaries.
- (c) The Group is in discussion with the Inland Revenue Department (“IRD”) regarding previous years’ tax affairs of two partnerships under the Group pursuant to a leveraged leasing arrangement entered into during 1993 to 1995.

In order to preserve its right, the IRD has issued protective profits tax assessments totalling HK\$258 million against the two partnerships and other Group entities involved in the arrangement, relating to the years of assessment 1995/96 to 2002/03. The IRD has agreed to hold over the tax charged subject to the Group’s purchase of tax reserve certificates in the amount of HK\$18 million.

The outcome of the discussion is uncertain but in the meantime, management has obtained external advice in respect of this matter and considers that no provision for profits tax in respect of the protective assessments is necessary and estimates that the contingent tax exposure at June 30, 2004 amounted to HK\$106 million (December 31, 2003: HK\$106 million), of which HK\$64 million (December 31, 2003: HK\$64 million) will be indemnified by the Group’s immediate holding company, Wharf Communications Limited, which has indemnified the Group against any liability for tax which may arise in consequence of an event occurring on or before November 1, 1999. The contingent tax exposure for the Group at June 30, 2004 is estimated at HK\$42 million (December 31, 2003: HK\$42 million).

- (d) In 2003, the Group entered into a forward foreign exchange contract with a financial institution to hedge certain firmly committed, non-Hong Kong dollar commercial transactions in 2004. The Group had, as at December 31, 2003, an outstanding forward contract to buy foreign currency with a notional principal value of HK\$5.8 million equivalent. All forward contracts have been settled as at June 30, 2004.



Note 15 Related party transactions

The significant and material related party transactions between the Group and related parties as set out in the annual accounts for the year ended December 31, 2003 continue to take place during the interim reporting period. There are no new significant and material related party transactions entered into by the Group with related parties during the six months ended June 30, 2004.

Note 16 Post balance sheet event

After the balance sheet date the directors declared an interim dividend. Further details are disclosed in Note 6.

Note 17 Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2004 has been reviewed by the audit committee of the Company.

Note 18 Approval of interim financial report

The interim financial report was approved by the Directors on August 12, 2004.



DIRECTORS' INTERESTS IN SHARES

At June 30, 2004, Directors of the Company had the following beneficial interests, all being long positions, in the ordinary shares of the Company, of its parent company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of Wharf, namely, Harbour Centre Development Limited ("Harbour Centre"), and the percentages which the shares represented to the issued share capital of the Company, Wharf and Harbour Centre respectively:

	No. of Shares (Percentage of Issued Capital)	Nature of Interest
The Company		
Mr. Stephen T. H. Ng	1,065,005 (0.0527%)	Personal interest
Mr. Samuel S. F. Wong	3,000 (0.0001%)	Personal interest
Wharf		
Mr. Stephen T. H. Ng	650,057 (0.0266%)	Personal interest
Harbour Centre		
Mr. F. K. Hu	50,000 (0.0159%)	Corporate interest

Note: The 50,000 shares regarding "Corporate Interest" in which Mr. F. K. Hu was taken to be interested as stated above was the interest held by a corporation in general meetings of which Mr. Hu was either entitled to exercise (or was taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power.

DIRECTORS' INTERESTS IN SHARES *(continued)*



Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme of the Company held by Directors of the Company during the financial period (no movement in such options recorded during the period):

Name of Director		Date granted <i>(Day/Month/Year)</i>	No. of ordinary shares represented by unexercised options outstanding throughout the period	Period during which rights exercisable <i>(Day/Month/Year)</i>	Price	Consideration
					per share to be paid on exercise of options <i>(HK\$)</i>	paid for the options granted <i>(HK\$)</i>
Mr. Stephen T. H. Ng	(i)	08/02/2000	1,500,000	01/04/2001 to 31/12/2009	10.49	10
	(ii)	19/02/2001	700,000	01/07/2002 to 31/12/2005	3.30	10
Mr. Samuel S. F. Wong	(i)	08/02/2000	700,000	01/04/2001 to 31/12/2009	10.49	10
	(ii)	19/02/2001	241,500	01/07/2003 to 31/12/2005	3.30	10

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at June 30, 2004 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.



SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at June 30, 2004 as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (Percentage of Issued Capital)
(i) Wharf Communications Limited	1,355,261,583 (67.12%)
(ii) The Wharf (Holdings) Limited	1,356,031,238 (67.16%)
(iii) WF Investment Partners Limited	1,463,822,799 (72.49%)
(iv) Wheelock and Company Limited	1,481,442,626 (73.37%)
(v) Bermuda Trust (Guernsey) Limited	1,481,442,626 (73.37%)
(vi) Marathon Asset Management Limited	121,332,000 (6.01%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv) and (iv) in (v).

All the interests stated above represented long positions and as at June 30, 2004, there were no short positions recorded in the abovementioned register.

SHARE OPTION SCHEME



Details of share options granted to Directors of the Company are set out in the above section headed "Directors' interests in shares".

Set out below are particulars and movements during the financial period of the Company's outstanding share options which were granted to approximately 1,700 employees (two of whom are Directors of the Company) all of whom are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

	Date granted <i>(Day/Month/Year)</i>	No. of ordinary shares represented by unexercised options outstanding as at Jan 1, 04	No. of ordinary shares represented by options lapsed during the financial period	No. of ordinary shares represented by unexercised options outstanding as at Jun 30, 04	Period during which rights exercisable <i>(Day/Month/Year)</i>	Price per share to be paid on exercise of options <i>(HK\$)</i>
(i)	08/02/2000	16,270,000	(330,000)	15,940,000	01/04/2001 to 31/12/2009	10.49
(ii)	19/02/2001	12,141,500	(296,900)	11,844,600	01/07/2002 to 31/12/2005	3.30
(ii)	09/10/2002	380,000	–	380,000	01/01/2004 to 31/12/2005	3.30
		<u>28,791,500</u>	<u>(626,900)</u>	<u>28,164,600</u>		

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial period.



PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOOK CLOSURE

The Register of Members will be closed from Tuesday, September 28, 2004 to Tuesday, October 5, 2004, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, September 27, 2004.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, August 12, 2004

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. F. K. Hu, Mr. Quinn Y. K. Law, Mr. Victor C. W. Lo, Dr. Dennis T. L. Sun, Mr. Samuel S. F. Wong and Sir Gordon Y. S. Wu.