



2009

INTERIM REPORT

About the Company

i-CABLE Communications Limited is Hong Kong's leading integrated communications company.

It is one of the largest producers of video, film and multimedia content based in Hong Kong, for distribution around the world over conventional and new media, with particular focus on news, information, sports and entertainment.

It owns and operates one of two near universal broadband telecommunications networks in Hong Kong, over which it provides Pay TV, Broadband and Voice services to well over one million subscribing households and businesses.

Results Highlights

- Consumer sentiment was badly shaken by the poor state of the economy.
- Advertiser sentiment was similarly shaken to affect the entire media sector.
- As a result, consolidated operating profit decreased by HK\$39 million year-on-year but improved by HK\$122 million half-on-half to return to profitability.
- The first half of 2009 was a more direct reflection of the current state of the business. The second half of 2008 had been marked by non-recurring items and included discontinued businesses.
- For the core business, total revenue decreased by 13% year-on-year and 8% half-on-half. Operating profit decreased by 47% year-on-year but improved by HK\$81 million half-on-half.
- Migration to a more secure encryption system is expected to be completed by October to better protect the Pay TV revenue.
- High Definition TV service is being rolled out this month to coincide with the opening of the new European soccer season and the climax of the US PGA Tour season.
- Subscriber and revenue development have gained renewed momentum. Together, they are establishing a firmer and more resilient business base for the upcoming months.
- Non-core businesses reported lower revenue due to discontinued units. Results from the continuing units improved.

Group Results

The unaudited Group profit attributable to Shareholders for the six months ended June 30, 2009 amounted to HK\$5 million, as compared to HK\$26 million for the corresponding period in 2008. Basic and diluted earnings per share were both HK\$0.002 for 2009, as compared to both HK\$0.013 last year.

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2009 (2008 interim dividend: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group returned to profitability in the first half of 2009, following a net loss of HK\$137 million recorded six months ago. However, this may only be short lived as the underlying operating environment remains very challenging.

Despite a marginal increase in subscribers, dilution of the subscription base and a weak advertising market continued to adversely affect Pay TV revenue. On the Broadband front, both subscribers and revenue dropped. However, cost savings and declining depreciation charges helped to achieve operating breakeven for the Pay TV sector and to restore the operating profit for the Broadband sector nearly to that of a year earlier.

On a consolidated basis, turnover for the first half decreased by 19% to HK\$862 million (2008: HK\$1,069 million). Operating expenses decreased by 16% to HK\$722 million (2008: HK\$864 million).

Capital expenditure increased by 84% to HK\$125 million (2008: HK\$68 million) as the Group is in the midst of replacing its conditional access system for Pay TV service to combat piracy. Net cash was at HK\$621 million on June 30, 2009 – up from HK\$545 million a year ago.

These results vindicate the Group's strategy in taking early measures to prepare for the looming economic storm – prudence in introducing austerity programme without sacrificing programme and service quality while continuing to invest strategically in equipping itself to reap the most when the economy turns around.

Competition and Operating Environment

The operating environment remained austere with competition coming from both without and within the Pay TV market. Free digital terrestrial television continued to expand coverage albeit at a slower pace, competing indirectly with Pay TV, but there is yet to be any significant impact on our business.

The Group will continue to invest in unique programming to achieve positive subscriber growth in the Pay TV sector. Broadband competition has not eased, with mobile operators having joined the crowded marketplace as well.

Subscription Services

In the first six months of 2009, even against a global recession, we were able to expand our subscriptions to over 1.3 million as at June 30, 2009, comprising 150,000 Voice, 260,000 Broadband and 947,000 Pay TV.

Pay TV

Subscribers grew steadily by 30,000 in the first half of 2009 to reach 947,000 as a result of premium promotion campaigns and other programming, marketing and retention initiatives.

However, income dilution from low yield subscribers and a weak advertising market brought a 15% decrease in turnover to HK\$595 million (2008: HK\$699 million). On the other hand, savings from operating costs helped to contain the damage with an operating profit of HK\$1 million (2008: HK\$61 million).

The subscriber growth was achieved in the face of “competition” from pirated access to our service, which increased the hurdle for us to acquire new subscribers. Replacement of the conditional access system for our broadcasting service is beginning to bear fruit. High yield subscriber penetration started to recover in buildings where the old conditional access system has been turned off. This conversion programme coincides with the introduction of High Definition television service and the opening of the new

football season, when the Group adds UEFA Champions League, UEFA Europa League and 2010 FIFA World Cup to our strong line-up of top sports actions. The Group is optimistic that these will provide fresh impetus to subscriber growth.

Internet and Multimedia

Marginal decrease of Broadband subscribers and turnover caused operating profit to fall to HK\$81 million (2008: HK\$93 million) for the first half of the year.

Proactive steps that we have taken to improve service quality and customer retention efforts are beginning to bear fruit. New transmission technology, under trial since April, will expand our network capacity to accommodate new customers and to improve further on service quality.

Content Production, Distribution and Programming

The programming platform has been strengthened across-the-board.

The entertainment platform was re-launched on June 13 with a host of new flagship programmes, including a half-hour light satirical programme on current affairs on weekdays; two talk-shows and a nostalgic programme on Hong Kong, on top of the staple cookery and mystery programmes on weekends.

The revamp, which also saw movie and drama offerings receiving a powerful boost and the Cable Entertainment News Channel being rejuvenated with a new set and new programmes, enhanced the platform's core strength with innovative elements to maintain its long-term attractiveness. Initial responses are positive.

Programming variety was enriched by the addition of two popular Mainland satellite channels: Hunan TV World and Guizhou TV, showcasing some of the Mainland's most watched variety programmes and drama.

On the sports front, All Sports Network (ASN), a channel on premier American sports landed on CABLE TV's premium sports platform early in the year. The all-weather, round-the-clock channel mainly features America's three most exciting sports actions – the National Football League (NFL), National Hockey League (NHL) and NCAA College basketball and football. The channel's high definition version, ASN HD, will be offered in mid-August as a separate premium channel.

Second half programme line-up of the sports platform will be strong as two of the most prestigious and coveted football club trophies in Europe – the UEFA Champions League and UEFA Europa League – kick off. These premier sports actions will also be broadcast on our newly launched High Definition channels.

CABLE News, meanwhile, has overhauled its prime time evening news presentation format starting March, with differentiated focuses on local, international and highlights-of-the-day respectively for newscasts during the 7 pm to 11 pm period. Newscasts are presented in a more interactive, lively and in-depth manner, supported by a new giant video wall, to better engage viewers.

Outlook

There are signs that the Group's main business began to recover in the first half. However, these are still early signs and whether these will turn into a sustainable trend will much depend on the macro economy and the competitive landscape.

The Group, in any case, has been prepared for an unfavourable external environment. We have built a new defence system against piracy; given a new look to our entertainment platform; and will launch our own High Definition service showcasing prized premium content this month.

These initiatives have given us confidence in bracing for inclement climate if the economy continues to turn worse; or fresh impetus to grow our business when the economy recovers.

Financial Review

A. Review of 2009 Interim Results

The Group has returned to profitability despite the harsh economic environment.

Consolidated turnover decreased by 19% to HK\$862 million.

Operating costs before depreciation decreased by 16% to HK\$722 million. Programming costs decreased by 8%, network costs decreased by 9%, selling, customer service, general and administrative expenses decreased by 21% and cost of sales decreased by 68%.

Depreciation decreased by 16% to HK\$139 million to follow the steady trend in recent years.

A net profit of HK\$5 million was achieved (2008: HK\$26 million), after reporting a net loss of HK\$137 million in the second half of 2008.

Basic earnings per share were 0.2 cents as compared to 1.3 cents in 2008.

B. Segmental Information

Pay Television

Subscribers increased by 30,000 or 3% in the period to 947,000. Turnover decreased by 15% to HK\$595 million, mainly attributable to dilution from lower yield subscriptions. Operating costs after

depreciation decreased by 7% to HK\$594 million. Operating profit of HK\$1 million improved by HK\$56 million half-on-half to return to profitability (2008: HK\$61 million).

Internet & Multimedia

Broadband subscribers decreased by 6,000 or 2% in the period to 260,000 and the Voice conveyance service maintained at 150,000 lines. Turnover decreased by 10% to HK\$266 million. Operating costs after depreciation decreased by 8% to HK\$185 million primarily due to lower depreciation charges. Operating profit of HK\$81 million increased by 46% from HK\$55 million in second-half last year (2008: HK\$93 million).

C. Liquidity and Financial Resources

As of June 30, 2009, the Group had net cash of HK\$621 million, as compared to HK\$545 million a year ago.

The consolidated net asset value of the Group as at June 30, 2009 was HK\$2,058 million, or HK\$1 per share.

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

Capital expenditure during the period amounted to HK\$125 million, 84% higher than that of the same period last year. Major items included new set-top-boxes for the new generation transmission encryption system as well as television production facilities for High Definition channels.

The Group's ongoing capital expenditure and new business development will be funded by cash either in hand or to be generated from operations and, if needed, bank borrowings or other external sources of funds. The Group also had total short-term bank credit facilities of approximately HK\$32 million which remained unutilised as of June 30, 2009.

D. Contingent Liabilities

At June 30, 2009, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries

relating to overdraft and guarantee facilities of banks up to HK\$78 million, of which only HK\$46 million have been utilised by the subsidiaries.

E. Human Resources

The Group had a total of 2,851 employees at the end of June 2009 (2008: 2,991). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK\$354 million (2008: HK\$379 million).

With a pay for performance culture, we nurture professionals and talents to strive for excellence.

The Group actively participates in community affairs. We were awarded the "Caring Company Scheme 5 Years Plus Logo" by the Hong Kong Council of Social Service in recognition of our continuous commitment in corporate social responsibility.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to hold both positions. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, a substantial proportion thereof being independent Non-executive Directors.

Consolidated Profit and Loss Account

For the six months ended June 30, 2009 – unaudited

	Note	Six months ended June 30,	
		2009 HK\$'000	2008 HK\$'000
Turnover	3	861,655	1,069,143
Programming costs		(379,287)	(412,584)
Network expenses		(120,513)	(132,727)
Selling, general and administrative and other operating expenses		(201,743)	(254,844)
Cost of sales		(20,614)	(64,149)
Profit from operations before depreciation		139,498	204,839
Depreciation	4	(138,730)	(164,788)
Profit from operations		768	40,051
Interest income		152	3,837
Finance costs		(1)	(2)
Impairment loss on investment		(1,006)	(623)
Non-operating (expenses)/income	4	(1,164)	1,010
Share of profit of associate		805	–
(Loss)/profit before taxation	4	(446)	44,273
Income tax	5	5,528	(18,135)
Profit after taxation		5,082	26,138
Attributable to:			
Equity shareholders of the Company		4,910	25,998
Minority interests		172	140
Profit after taxation		5,082	26,138
Dividends payable to equity shareholders attributable to the period			
Final dividend of 5 cents in respect of the previous financial year, approved and paid during the period	6	–	100,617
Earnings per share			
Basic	7	0.2 cents	1.3 cents
Diluted	7	0.2 cents	1.3 cents

The notes on pages 12 to 21 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2009 – unaudited

	Six months ended June 30,	
	2009 HK\$'000	2008 HK\$'000
Profit for the period	5,082	26,138
Other comprehensive income for the period		
Translation of foreign subsidiaries' financial statements	106	2,940
Change in fair value of available-for-sale securities	(207)	1,571
	(101)	4,511
Total comprehensive income for the period	4,981	30,649
Attributable to:		
Equity shareholders of the Company	4,793	30,264
Minority interests	188	385
Total comprehensive income for the period	4,981	30,649

The notes on pages 12 to 21 form part of this interim financial report.

Consolidated Balance Sheet

At June 30, 2009 – unaudited

	<i>Note</i>	At June 30, 2009 HK\$'000 (unaudited)	At December 31, 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	1,141,331	1,157,171
Programming library	9	139,126	132,789
Other intangible assets	10	4,006	4,006
Interest in associate		39,008	39,111
Deferred tax assets	14	333,374	330,029
Other non-current assets		60,418	171,810
		1,717,263	1,834,916
Current assets			
Inventories		4,741	5,693
Accounts receivable from trade debtors	11	52,012	74,329
Deposits, prepayments and other receivables		273,991	164,678
Amounts due from fellow subsidiaries		1,997	1,831
Cash and cash equivalents		621,353	689,636
		954,094	936,167
Current liabilities			
Amounts due to trade creditors	12	65,995	72,117
Accrued expenses and other payables		228,011	294,865
Receipts in advance and customers' deposits		125,129	139,005
Current taxation	14	1,795	5,207
Amounts due to fellow subsidiaries		77,476	99,109
Amount due to immediate holding company		5,648	4,897
		504,054	615,200
Net current assets		450,040	320,967
Total assets less current liabilities		2,167,303	2,155,883
Non-current liabilities			
Deferred tax liabilities	14	79,399	81,815
Other non-current liabilities		29,795	19,552
		109,194	101,367
NET ASSETS		2,058,109	2,054,516
Capital and reserves			
Share capital	13	2,011,512	2,012,340
Reserves		41,735	37,502
Total equity attributable to equity shareholders of the Company		2,053,247	2,049,842
Minority interests		4,862	4,674
TOTAL EQUITY		2,058,109	2,054,516

The notes on pages 12 to 21 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2009 – unaudited

	Attributable to equity shareholders of the Company												
	Note	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Fair value reserve	Revenue reserve	Other reserve	Total reserves	Total	Minority interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1, 2008*		2,016,792	4,838,365	13,867	1,142	2,442	2,883	(4,606,121)	(2,603)	249,975	2,266,767	4,474	2,271,241
Total comprehensive income for the period		-	-	-	2,695	-	1,571	25,998	-	30,264	30,264	385	30,649
Dividend approved in respect of the previous year	6	-	-	-	-	-	-	(100,617)	-	(100,617)	(100,617)	-	(100,617)
Share repurchased and cancelled		(4,452)	-	-	-	4,452	-	(6,692)	2,594	354	(4,098)	-	(4,098)
Share repurchase expenses		-	-	-	-	-	-	(22)	9	(13)	(13)	-	(13)
Transfer to special capital reserve		-	-	12	-	-	-	(12)	-	-	-	-	-
Balance at June 30, 2008*		2,012,340	4,838,365	13,879	3,837	6,894	4,454	(4,687,466)	-	179,963	2,192,303	4,859	2,197,162
Balance at January 1, 2009*		2,012,340	4,838,365	13,881	4,095	6,894	-	(4,823,737)	(1,996)	37,502	2,049,842	4,674	2,054,516
Total comprehensive income for the period		-	-	-	90	-	(207)	4,910	-	4,793	4,793	188	4,981
Share of post-acquisition reserve of associate		-	-	-	-	-	-	-	(908)	(908)	(908)	-	(908)
Share repurchased and cancelled		(828)	-	-	-	828	-	(474)	-	354	(474)	-	(474)
Share repurchase expenses		-	-	-	-	-	-	(6)	-	(6)	(6)	-	(6)
Transfer to special capital reserve		-	-	17	-	-	-	(17)	-	-	-	-	-
Balance at June 30, 2009*		2,011,512	4,838,365	13,898	4,185	7,722	(207)	(4,819,324)	(2,904)	41,735	2,053,247	4,862	2,058,109

* 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 12 to 21 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2009 – unaudited

	Six months ended June 30,	
	2009 HK\$'000	2008 HK\$'000
Operating activities		
Loss/(profit) before taxation	(446)	44,273
Adjustments for:		
Net finance costs	(151)	(3,835)
Depreciation	138,730	164,788
Amortisation of programming library	47,326	62,222
Amortisation of other intangible assets	–	2,192
Others	1,398	2,361
Operating profit before change in working capital	186,857	272,001
Change in working capital	(85,966)	(120,698)
Cash generated from operations	100,891	151,303
Interest received	156	3,804
Interest paid	(1)	(1)
Overseas tax paid	(3,663)	(820)
Net cash generated from operating activities	97,383	154,286
Investing activities		
Purchase of property, plant and equipment	(101,610)	(75,126)
Other net investing activities	(63,651)	(73,309)
Net cash used in investing activities	(165,261)	(148,435)
Net cash used in financing activities	(483)	(104,737)
Net decrease in cash and cash equivalents	(68,361)	(98,886)
Effect of foreign exchange rate changes	78	1,722
Cash and cash equivalents at January 1	689,636	642,049
Cash and cash equivalents at June 30	621,353	544,885

The notes on pages 12 to 21 form part of this interim financial report.

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

2. Changes in accounting policies

The HKICPA has issued one new Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This was consistent with the presentations of segment information in prior years. The adoption of HKFRS 8 has had no material impact on the reportable segments being identified and presented.

2. Changes in accounting policies *(continued)*

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendments have resulted in changes to the group’s accounting policies:

As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from January 1, 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends.

3. Turnover

Turnover comprises principally subscription and related fees for Pay TV and Internet services, Internet Protocol Point wholesale services and also includes advertising income net of agency deductions, channel service and distribution fees, programme licensing income, film exhibition and distribution income, network maintenance income, and other related income.

Segment information

The Pay TV segment includes operations related to the Pay television subscription business, advertising, channel carriage, television relay service, programme licensing, network maintenance, and miscellaneous Pay television related businesses.

The Internet and multimedia segment includes operations related to Broadband and dial-up Internet access services, portal subscription, mobile content licensing, Voice Over Internet Protocol interconnection as well as other Internet access related businesses.

Business segments

	Pay TV		Internet and multimedia		Unallocated		Total	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue from external customers	583,528	692,255	260,293	291,202	17,834	85,686	861,655	1,069,143
Inter-segment revenue	11,429	6,267	5,229	3,425	1,223	3,133	17,881	12,825
Reportable segment revenue	594,957	698,522	265,522	294,627	19,057	88,819	879,536	1,081,968
Reportable segment result	801	61,005	80,719	92,773	(80,321)	(111,457)	1,199	42,321
Inter-segment elimination							(431)	(2,270)
Profit from operations							768	40,051
Interest income							152	3,837
Finance costs							(1)	(2)
Impairment loss on investment							(1,006)	(623)
Non-operating (expenses)/income							(1,164)	1,010
Share of profit of associate							805	–
Income tax							5,528	(18,135)
Profit after taxation							5,082	26,138

4. (Loss)/profit before taxation

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

	Six months ended June 30,	
	2009 HK\$'000	2008 HK\$'000
Depreciation		
– assets held for use under operating leases	9,169	11,355
– other assets	129,561	153,433
	138,730	164,788
Amortisation of programming library*	47,326	62,222
Amortisation of other intangible assets	–	2,192
Staff costs	339,246	359,067
Contributions to defined contribution retirement plans	15,653	15,578
Cost of inventories	5,937	13,014
Auditors' remuneration	458	2,123
Non-operating expenses/(income)		
Net loss/(gain) on disposal of property, plant and equipment	1,164	(1,010)

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

5. Income tax in the consolidated profit and loss account

Income tax income/(expense) in the consolidated profit and loss account represents:

	Six months ended June 30,	
	2009 HK\$'000	2008 HK\$'000
<i>Current tax – Overseas</i>		
Tax for the period	(233)	(529)
Tax for the prior period	–	(52)
	(233)	(581)
<i>Deferred tax (Note 14(b))</i>		
Utilisation of prior year's tax losses recognised	(1,706)	(10,173)
Effect of decrease in tax rate on deferred tax balances at January 1	–	(14,929)
Reversal of temporary differences	7,467	7,548
	5,761	(17,554)
Income tax income/(expense)	5,528	(18,135)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period. Taxation for the overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant countries.

6. Dividends

Dividends payable to equity shareholders of the Company

	Six months ended June 30,	
	2009 HK\$'000	2008 HK\$'000
Final dividend of 5 cents per share in respect of the previous financial year, approved and paid during the period	–	100,617

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,910,000 (2008: HK\$25,998,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,856,289 (2008: 2,012,885,941).

(i) *Weighted average number of ordinary shares*

	At June 30, 2009	At June 30, 2008
Issued ordinary shares at January 1	2,012,340,400	2,016,792,400
Effect of shares repurchased	(484,111)	(3,906,459)
Weighted average number of ordinary shares at June 30	2,011,856,289	2,012,885,941

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,910,000 (2008: HK\$25,998,000) and the weighted average number of ordinary shares of 2,011,856,289 (2008: 2,012,885,941) after adjusting for the effects of all dilutive potential ordinary shares.

All of the Company's share options did not have intrinsic value throughout 2008 and 2009. Accordingly, this has no dilutive effect on the calculation of diluted earnings per share in both periods.

8. Property, plant and equipment

	HK\$'000
Net book value at January 1, 2009	1,157,171
Additions – Network, decoders, cable modems and television production systems	112,574
– Others	12,334
Disposals	(1,716)
Depreciation	(138,730)
Impairment loss	(34)
Reclassification to inventories	(376)
Exchange reserve	108
Net book value at June 30, 2009	1,141,331

9. Programming library

	HK\$'000
Net book value at January 1, 2009	132,789
Additions	53,663
Amortisation	(47,326)
Net book value at June 30, 2009	139,126

10. Other intangible assets

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
Club debentures	4,006	4,006

11. Accounts receivable from trade debtors

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

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
0 to 30 days	33,268	27,860
31 to 60 days	3,820	16,651
61 to 90 days	8,203	12,843
Over 90 days	6,721	16,975
	52,012	74,329

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

12. Amounts due to trade creditors

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

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
0 to 30 days	12,632	22,757
31 to 60 days	12,033	38,307
61 to 90 days	20,941	6,658
Over 90 days	20,389	4,395
	65,995	72,117

13. Share capital

	At June 30, 2009		At December 31, 2008	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Authorised Ordinary shares of HK\$1 each	8,000,000	8,000,000	8,000,000	8,000,000
Issued and fully paid At January 1 Shares repurchased and cancelled	2,012,340 (828)	2,012,340 (828)	2,016,792 (4,452)	2,016,792 (4,452)
At end of period/year	2,011,512	2,011,512	2,012,340	2,012,340

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) Purchase of own shares

During the period, the Company repurchased and cancelled its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
March 2009	828,000	0.58	0.56	480

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of \$828,000 was transferred from revenue reserve to the capital redemption reserve. The expenses incurred on the repurchase of the shares of approximately HK\$6,000 were charged to revenue reserve.

13. Share capital (continued)

- (ii) At June 30, 2009, 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, 2009	Lapsed during the period	At June 30, 2009
February 8, 2000	April 1, 2001 to December 31, 2009	HK\$10.49	10,940,000	(1,240,000)	9,700,000

No share options were granted or exercised during the current period.

14. Income tax in the balance sheet

- (a) Current taxation in the balance sheet represents:

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
Overseas taxation	1,795	5,207

- (b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At January 1, 2009	108,653	(356,867)	(248,214)
Charged/(credited) to consolidated profit and loss account (Note 5)	(7,467)	1,706	(5,761)
At June 30, 2009	101,186	(355,161)	(253,975)

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
Net deferred tax assets recognised on the balance sheet	(333,374)	(330,029)
Net deferred tax liabilities recognised on the balance sheet	79,399	81,815
	(253,975)	(248,214)

14. Income tax in the balance sheet (continued)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of the following:

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
Future benefit of tax losses	395,059	401,583
Impairment loss for bad and doubtful accounts	192	800
	395,251	402,383

15. Commitments

Commitments outstanding as of June 30, 2009 not provided for in the interim financial report were as follows:

	At June 30, 2009 HK\$'000	At December 31, 2008 HK\$'000
Capital commitments		
(i) Property, plant and equipment		
– Authorised and contracted for	89,833	56,143
– Authorised but not contracted for	51,031	44,683
	140,864	100,826
(ii) Acquisition of equity interests in prospective subsidiary and associate		
– Authorised and contracted for	2,837	2,828
– Authorised but not contracted for	–	–
	2,837	2,828
	143,701	103,654
Programming and other commitments		
– Authorised and contracted for	771,376	731,690
– Authorised but not contracted for	70,192	70,740
	841,568	802,430
Operating lease commitments		
– Within one year	46,468	53,807
– After one year but within five years	58,181	77,086
– After five years	43,313	45,797
	147,962	176,690
	1,133,231	1,082,774

16. Contingent liabilities

As at June 30, 2009, 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\$78 million (December 31, 2008: HK\$118 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at June 30, 2009, HK\$46 million (December 31, 2008: HK\$86 million) was utilised by the subsidiaries.

As at the balance sheet date, the Company has issued four separate guarantees to a bank in respect of banking facilities granted to three wholly owned subsidiaries. At June 30, 2009, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facilities drawn down by the wholly owned subsidiaries of HK\$46 million. The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and the transaction price was HK\$nil.

17. Material 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, 2008 continued to take place during this interim reporting period.

There were no new significant and material related party transactions entered by the Group during the six months ended June 30, 2009.

18. Comparative figures

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

19. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2009 has been reviewed with no disagreement by the audit committee of the Company.

20. Approval of interim financial report

The interim financial report was approved by the Directors on August 11, 2009.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

DIRECTORS' INTERESTS IN SHARES

At June 30, 2009, Directors of the Company had the following beneficial interests, all being long positions, in the ordinary shares of the Company, and of its parent company, namely, The Wharf (Holdings) Limited ("Wharf"), and Wharf's parent company, namely, Wheelock and Company Limited ("Wheelock"), and the percentages which the shares represented to the issued share capitals of the Company, Wheelock and Wharf respectively are also set out below:

	No. of shares (percentage of issued capital)	Nature of interest
The Company		
Mr Stephen T H Ng	1,265,005 (0.0629%)	Personal interest
Wheelock		
Mr Stephen T H Ng	300,000 (0.0148%)	Personal interest
Wharf		
Mr Stephen T H Ng	731,314 (0.0266%)	Personal interest

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 (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding throughout the period	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consideration paid for the options granted (HK\$)
Mr Stephen T H Ng	08/02/2000	1,500,000	01/04/2001 to 31/12/2009	10.49	10
Mr William J H Kwan	08/02/2000	260,000	01/04/2001 to 31/12/2009	10.49	10

DIRECTORS' INTERESTS IN SHARES *(continued)*

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code, there were no interests, both long and short positions, held during the financial period 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), nor had there been any exercises during the financial period of any rights to subscribe for any shares, underlying shares or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at June 30, 2009, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") 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	1,480,505,171 (73.60%)
(ii) The Wharf (Holdings) Limited	1,480,505,171 (73.60%)
(iii) WF Investment Partners Limited	1,480,505,171 (73.60%)
(iv) Wheelock and Company Limited	1,481,442,626 (73.65%)
(v) HSBC Trustee (Guernsey) Limited	1,481,442,626 (73.65%)
(vi) Marathon Asset Management Limited	121,332,000 (6.03%)
(vii) Matthews International Capital Management, LLC	141,739,000 (7.05%)

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) and (iii), (iii) and (iv) and (iv) and (v).

All the interests stated above represented long positions and as at June 30, 2009, there were no short position interests recorded in the Register.

SHARE OPTION SCHEME

Details of share options granted to Director(s) 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 50 employees (two of them being Directors of the Company during the period), all 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 (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at January 1, 2009	No. of ordinary shares represented by options lapsed during the financial period	No. of ordinary shares represented by unexercised options outstanding as at June 30, 2009	Period during which rights exercisable (Day/Month/ Year)	Price per share to be paid on exercise of options (HK\$)
08/02/2000	10,940,000	(1,240,000)	9,700,000	01/04/2001 to 31/12/2009	10.49

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

CHANGES OF INFORMATION OF DIRECTORS

- (A) Given below is the latest information regarding annual emoluments (covered by service contract(s)) for the year 2009 of all the Director(s) of the Company for whom there have been changes of amounts of emoluments since the end of December 2008:

Director	#Salary and various allowances (calculated on annualised basis) HK\$'000	##Annual bonus in cash HK\$'000
Mr Stephen T H Ng	2,223 (2008: 2,240)	3,375 (2008: 4,500)

Not including the Director's fee (for each Director) of HK\$60,000 per annum payable by the Company.

Paid during the six-month period ended June 30, 2009.

CHANGES OF INFORMATION OF DIRECTORS *(continued)*

- (B) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public companies in respect of all the Director(s) of the Company for whom there have been changes in the relevant information since the end of December 2008 (or, regarding Director(s) appointed subsequent thereto, since the date of appointment as Director(s) of the Company):

Director	*Directorships (all being present directorships) in other listed public companies
Mr Stephen T H Ng	Wheelock; Wharf; Harbour Centre Development Limited (appointed in April 2009); Joyce Boutique Holdings Limited

* *There has been no change in former directorships held within the past three years in other listed public companies in respect of any Director of the Company.*

PURCHASE, SALE OR REDEMPTION OF SHARES

Set out below are particulars of certain repurchases (all occurred in March 2009) by the Company of its own ordinary shares made on the Stock Exchange during the financial period:

Total number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Total Price Paid (HK\$)
828,000	0.58	0.56	474,400

The above repurchases were made for the purpose of achieving an increase in the consolidated net asset value and/or earnings per share of the Company.

Save as disclosed above, 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.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, August 11, 2009

As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Mr William J H Kwan and Mr Paul Y C Tsui, together with three independent non-executive Directors, namely, Mr T K Ho, Mr Patrick Y W Wu and Mr Anthony K K Yeung.