有線寬頻 i-CABLE

STOCK CODE: 1097

2011
INTERIM REPORT

i-CABLE COMMUNICATIONS LIMITED

About the Company

i-CABLE Communications Limited is a leading integrated communications company in Hong Kong.

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

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

The Company also commands one of the largest and most influential TV viewer and communications service user bases in town.

RESULTS HIGHLIGHTS

- The Company's efforts to rebuild revenue and profitability have started to pay off. It has substantially improved its deficit in the first half of 2011.
- Turnover increased by 9% to HK$1,051 million (2010: HK$962 million).
- Net loss of HK$55 million represented a 62% reduction (2010: net loss of HK$145 million).
- EBITDA improved to HK$68 million (2010: HK$18 million).

Television

- Turnover increased by 20% to HK$874 million (2010: HK$725 million).
- Operating loss of HK$22 million represented a 78% reduction (2010: operating loss of HK$102 million).

Internet & Multimedia

- Turnover decreased by 28% to HK$167 million (2010: HK$231 million).
- Operating profit of HK$30 million was 44% lower (2010: HK$55 million).

GROUP RESULTS

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2011 amounted to HK$55 million, as compared to HK$146 million for the corresponding period in 2010. Basic and diluted loss per share were both HK$0.027 for 2011, as compared to both HK$0.072 last year.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2011 (2010 interim dividend: Nil).

BUSINESS REVIEW

Overview

Driven by strong content and new services such as expanded HDTV capabilities, the number of TV service subscribers saw steady growth. Revenue from advertising during the period remained strong, attributed mainly to a strong economy and attractive programming across our flagship platforms.

But substantial increases in programming costs and costs of sales, together with the drop in both subscribers and turnover in the Broadband sector largely due to fierce competition, have adversely affected the Group's performance and slowed its return to profitability.

The period saw a 9% increase in consolidated turnover to HK$1,051 million and a moderate 4% increase in operating costs before depreciation to HK$983 million, resulting in an improved net loss of HK$55 million.

Competition and Operating Environment

The operating environment remained challenging in the TV, Broadband and Voice sectors, with competitors constantly mounting aggressive marketing initiatives and cutthroat pricing to lure subscribers.

Last year's phenomenal growth in our TV subscriber base has proved to be sustainable, making healthy contributions to recurrent revenue. Thanks to our own marketing and promotional campaigns, we have successfully maximised the leverage of our prized contents and strong HD service, the best in town, to grow our TV subscriber base, revenue and airtime sales. We will continue to invest in unique premier programming and put in place initiatives to sharpen our competitiveness to protect and expand market share.

Our Internet business continued to come under pressure. We are working hard towards protecting our subscriber base with service and infrastructure improvements.

Television

Following last year's most encouraging increase, a record high in well over 10 years, the number of TV service subscribers saw a steady increment to 1,103,000 during the period. The expanded base is giving a boost to recurrent revenue that should create sustainable improvement in the Group's financial performance in the near term.

Turnover increased by 20% to HK$874 million, mainly attributable to increases in higher yield subscriptions. Operating costs including depreciation increased by 8% to HK$896 million primarily due to higher programming costs during the period.

Despite the drag of premier sports programming costs on margin, the Group continues to invest into premier content that is attractive to viewers to reinforce and expand market share under our well-tested strategy. We are also strengthening our service offerings to improve the attractiveness of our packages to meet customers' fast-changing needs and the rapidly evolving electronic entertainment landscape now comprising not only free and pay TV services but the various alternatives available on the Internet via both fixed and mobile platforms.

Internet & Multimedia

Broadband services subscribers decreased by 3,000 or 1% in the period to 225,000 and Voice conveyance service decreased by 6,000 or 4% to 137,000 lines. Turnover decreased by 28% to HK$167 million whereas operating profit dropped by 44% to HK$30 million.

Despite such competitive pressure, the Group continued with service and network upgrades to protect our market share. Roll-out of our 130 Mbps downstream service upgrade covering the Hong Kong Island was completed during the period whereas works for the rest of the territory are currently underway in earnest. The resulting expansion in network capacity and improvement in service quality would help stem subscriber attrition and protect revenue through up-selling to existing subscribers.

Content Production, Distribution and Programming

Our strategy of providing subscribers with a balanced yet diverse mix of quality programmes has proven to be sustainable for our Pay TV operations. Considerable efforts have been made and resources expended to boost content on our flagship sports, news and entertainment platforms.

The entertainment platform has been strengthened across the board. Our movie lineup has seen a power boost with a brand new channel, *Cine p.*, in both SD and HD formats for a mature audience. It carries critically acclaimed, award-winning and controversial titles from blockbusters to independent productions from around the world. Movies come from a range of genres much wider than the local mainstream commercial screens could provide, many of which have not been theatrically released in Hong Kong or exhibited on TV. They are broadcast in their original uncut, unrated versions wherever possible to ensure that viewers will enjoy these productions the way intended by moviemakers. Our movie platform is stronger than ever with *Movie 1*'s local hits, *HMC 1*'s Hollywood productions and *Cine p.*'s 18+ titles simulcast in both SD and HD.

While maintaining our strong lineup of quality channels, we made new additions during the period to boost diversity and attractiveness. *Dragon TV*, a Putonghua channel with Chinese subtitles, delivers a diverse range of integrated programming. It also provides over five hours of daily live news through its partnership with the Xinhua News Agency. Also launched was Phoenix's *Hong Kong Channel*, an infotainment service predominantly in Cantonese.

On the sports front, CABLE TV continues to bring exclusive and action-packed excitement to sports aficionados. During the period, the 7th Asian Winter Games in Kazakhstan, Copa America 2011 in Argentina and the FIFA Women's World Cup 2011 in Germany were brought to viewers in extensive coverage. Scheduled to come on stream in the second half of the year are a new 24-hour HD channel (hd200) broadcasting Barclays Premier League matches and programmes as well as other top-notch events such as the UEFA Champions League, UEFA Europa League, the German Bundesliga and the 14th FINA World Swimming Championships in Shanghai.

Football fans will be thrilled with the news of our extended exclusive rights to UEFA's Champions League and Europa League for three seasons from 2012 to 2015. We have also started our one-year countdown to the London 2012 Olympics by showing daily footages recapping the unforgettable moments of glory, joy and tears from past Olympics to prepare viewers for next year's London Games available exclusively on CABLE TV in unprecedented coverage. Now with a total of 5 HD sports channels, we offer non-stop excitement from general sports to soccer to horseracing in high quality programmes all year round.

Our highly professional news team continues to serve the community by unfailingly providing our citizens with fast and accurate reports and updates around the clock. Their news and public affairs programmes continue to garner prestigious recognitions including the 32nd Telly Awards, the 2011 Human Rights Press Awards, Chicago Film Festival Hugo Television Awards and the 2nd Annual Kam Yiu-yu Press Freedom Award.

Sundream Motion Pictures has over the years firmly established itself as a discerning production and distribution company bringing local cinemagoers quality entertainment. Among the movies released during the period was a British historical drama, *The King's Speech*, which was a major box office and critical success both locally and around the world. The rest of the 2011 lineup includes much anticipated titles such as *Larry Crowne* starring megastars Tom Hanks and Julia Roberts, sci-fi thriller *Apollo 18* and the latest sequel to the much loved family movie series, *Spy Kids*.

Outlook

Investing in and for the future is the Group's long-standing and well-proven strategy. Under this strategy, we invest in service offerings, customer services as well as infrastructure to enrich customers' experience and satisfaction.

As the economy continued to be vibrant during the first half of the year, such investments started to pay off, driving both subscriber and revenue growth. While competitive pressure in all business segments is not expected to ease, we are cautiously optimistic that the renewed growth momentum we have seen is solid and will be reflected in the Group's financial performance in due course.

Free digital terrestrial TV penetration has largely leveled out resulting in the Government's recent decision to postpone the analogue switch-off to 2015. So far this new source of competition has yet to bring about any direct and adverse impact to our TV business. On the other hand, the free TV landscape is about to undergo further and perhaps revolutionary change with the Government considering three applications for new domestic free TV licences, including one lodged by the Group on behalf of Fantastic Television Limited. The imminent introduction of as many as 16 free territory-wide channels in Hong Kong looks set to pose challenges to both free and pay TV operators, the full implications of which remain to be seen.

The growingly common use of handheld devices including smart phones and tablets especially among the younger generations and high-income professionals is fast becoming a potent force driving drastic change. The once clear demarcations between different modes of transmission technologies and different forms of entertainment have become much blurrier than telecommunications operators, content providers, government regulators and consumers could ever imagine. These days, programmes from local and overseas TV operators are easily received and viewed on affordable but powerful handheld devices either via live streaming or in downloadable formats. Even a full-length movie could be viewed this way in its entirety with few glitches. This development presents both opportunities and threats to both free and pay TV operators across the globe. The Group remains mindful of this exciting yet challenging development and is keen to unlock and exploit any possible potential for new market share and business growth.

FINANCIAL REVIEW

A. Review of 2011 Interim Results

Consolidated turnover increased by 9% to HK$1,051 million.

Operating costs including depreciation increased by 3% to HK$1,100 million. Programming costs increased by 17% while selling, customer service, general and administrative expenses decreased by 24%, network costs decreased by 5%, and depreciation decreased by 8%.

Net loss of HK$55 million was reported (2010: net loss of HK$145 million).

Basic loss per share was 2.7 cents as compared to loss per share of 7.2 cents in 2010.

B. Segmental Information

Television

TV services subscribers increased by 3,000 in the period to 1,103,000. Turnover increased by 20% to HK$874 million, mainly attributable to increase in higher yield subscriptions. Operating costs including depreciation increased by 8% to HK$896 million primarily due to higher programming cost of Barclays Premier League partly offset by 2010 FIFA World Cup last year. Operating loss decreased by 78% to HK$22 million (2010: operating loss of HK$102 million).

Internet & Multimedia

Broadband services subscribers decreased by 3,000 in the period to 225,000, while Voice conveyance service decreased by 6,000 to 137,000 lines. Turnover decreased by 28% to HK$167 million. Operating costs including depreciation decreased by 22% to HK$137 million. Operating profit decreased by 44% to HK$30 million (2010: HK$55 million).

C. Liquidity and Financial Resources

As of June 30, 2011, the Group had net cash of HK$369 million, as compared to HK$447 million at December 31, 2010.

The consolidated net asset value of the Group as at June 30, 2011 was HK$1,693 million, or HK$0.8 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$88 million, 27% lower than the same period last year. Major items included HD set-top-boxes, broadband network upgrade as well as TV production and broadcast facilities for HD channels.

The Group's ongoing capital expenditure and new business development will be funded by cash in hand and cash to be generated from operations plus, if needed, bank borrowings or other external sources of funds. The Group also had total short-term bank credit facilities of approximately HK$10 million which remained unutilised as of June 30, 2011.

D. Contingent Liabilities

At June 30, 2011, 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$12 million, of which only HK$2 million have been utilised by the subsidiaries.

E. Human Resources

The Group had a total of 2,725 employees at the end of June 2011 (2010: 2,829). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$351 million (2010: HK$387 million).

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.

Consolidated Income Statement

For the six months ended June 30, 2011 – unaudited

	Note	Six months ended June 30, 2011 HK$'000	2010 HK$'000
Turnover	*3*	**1,050,825**	962,040
Programming costs		**(636,694)**	(545,973)
Network expenses		**(112,600)**	(118,628)
Selling, general and administrative and other operating expenses		**(189,390)**	(250,382)
Cost of sales		**(44,534)**	(29,023)
Profit from operations before depreciation		**67,607**	18,034
Depreciation	*4*	**(116,586)**	(126,447)
Loss from operations		**(48,979)**	(108,413)
Interest income		**353**	61
Finance costs, net		**1**	–
Non-operating (expenses)/income	*4*	**(2,469)**	1,180
Share of loss of associate		**–**	(39,081)
Loss before taxation	*4*	**(51,094)**	(146,253)
Income tax	*5*	**(3,652)**	762
Loss for the period		**(54,746)**	(145,491)
Attributable to:			
Equity shareholders of the Company		**(54,750)**	(145,545)
Non-controlling interests		**4**	54
Loss for the period		**(54,746)**	(145,491)
Loss per share			
Basic	*6*	**(2.7) cents**	(7.2) cents
Diluted	*6*	**(2.7) cents**	(7.2) cents

The notes on pages 13 to 21 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011 – unaudited

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Loss for the period	**(54,746)**	(145,491)
Other comprehensive income for the period (after reclassification adjustment):		
Exchange difference on translation of foreign subsidiaries' financial statements	**1,119**	(68)
Available-for-sale securities: net movement in the fair value reserve	**–**	4,282
Share of post-acquisition reserve of associate	**–**	935
	1,119	5,149
Total comprehensive income for the period	**(53,627)**	(140,342)
Attributable to:		
Equity shareholders of the Company	**(53,750)**	(140,396)
Non-controlling interests	**123**	54
Total comprehensive income for the period	**(53,627)**	(140,342)

The notes on pages 13 to 21 form part of this interim financial report.

Consolidated Statement of Financial Position

At June 30, 2011 – unaudited

	Note	At June 30, 2011 HK$'000 (unaudited)	At December 31, 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*7*	**1,113,837**	1,146,422
Programming library	*8*	**110,060**	113,587
Other intangible assets	*9*	**4,006**	4,006
Interest in associate		**–**	–
Deferred tax assets	*13*	**335,347**	343,145
Other non-current assets		**121,065**	110,989
		1,684,315	1,718,149
Current assets			
Inventories		**6,530**	5,641
Accounts receivable from trade debtors	*10*	**63,556**	67,383
Deposits, prepayments and other receivables		**106,528**	78,670
Amounts due from fellow subsidiaries		**2,072**	4,164
Cash and cash equivalents		**368,914**	446,682
		547,600	602,540
Current liabilities			
Amounts due to trade creditors	*11*	**70,909**	85,426
Accrued expenses and other payables		**184,399**	210,215
Receipts in advance and customers' deposits		**190,070**	174,844
Current taxation	*13*	**1,833**	1,791
Amounts due to fellow subsidiaries		**22,173**	28,234
Amount due to immediate holding company		**908**	1,816
		470,292	502,326
Net current assets		**77,308**	100,214
Total assets less current liabilities		**1,761,623**	1,818,363
Non-current liabilities			
Deferred tax liabilities	*13*	**58,765**	63,076
Other non-current liabilities		**9,596**	8,398
		68,361	71,474
NET ASSETS		**1,693,262**	1,746,889
Capital and reserves			
Share capital	*12*	**2,011,512**	2,011,512
Reserves		**(321,612)**	(267,862)
Total equity attributable to equity shareholders of the Company		**1,689,900**	1,743,650
Non-controlling interests		**3,362**	3,239
TOTAL EQUITY		**1,693,262**	1,746,889

The notes on pages 13 to 21 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011 – unaudited

	Attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Fair value reserve HK$'000	Revenue reserve HK$'000	Other reserve HK$'000	Total reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at January 1, 2010*	2,011,512	4,838,365	13,944	4,158	7,722	–	(4,865,182)	(2,932)	(3,925)	2,007,587	2,698	2,010,285
Loss for the period	–	–	–	–	–	–	(145,545)	–	(145,545)	(145,545)	54	(145,491)
Other comprehensive income for the period	–	–	–	(68)	–	4,282	–	935	5,149	5,149	–	5,149
Total comprehensive income for the period	–	–	–	(68)	–	4,282	(145,545)	935	(140,396)	(140,396)	54	(140,342)
Transfer to special capital reserve**	–	–	–	–	–	–	–	–	–	–	–	–
Balance at June 30, 2010*	2,011,512	4,838,365	13,944	4,090	7,722	4,282	(5,010,727)	(1,997)	(144,321)	1,867,191	2,752	1,869,943
Balance at January 1, 2011*	2,011,512	4,838,365	13,944	4,655	7,722	–	(5,132,548)	–	(267,862)	1,743,650	3,239	1,746,889
Loss for the period	–	–	–	–	–	–	(54,750)	–	(54,750)	(54,750)	4	(54,746)
Other comprehensive income for the period	–	–	–	1,000	–	–	–	–	1,000	1,000	119	1,119
Total comprehensive income for the period	–	–	–	1,000	–	–	(54,750)	–	(53,750)	(53,750)	123	(53,627)
Transfer to special capital reserve**	–	–	7	–	–	–	(7)	–	–	–	–	–
Balance at June 30, 2011*	2,011,512	4,838,365	13,951	5,655	7,722	–	(5,187,305)	–	(321,612)	1,689,900	3,362	1,693,262

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

** *The special capital reserve is non-distributable and it should be applied for the same purposes as the share premium account.*

The notes on pages 13 to 21 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2011 – unaudited

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Operating activities		
Loss before taxation	**(51,094)**	(146,253)
Adjustments for:		
Finance costs, net	**(1)**	–
Interest income	**(353)**	(61)
Depreciation	**116,586**	126,447
Amortisation of programming library	**38,528**	41,151
Others	**3,835**	41,621
Operating profit before change in working capital	**107,501**	62,905
Change in working capital	**(32,790)**	79,752
Cash generated from operations	**74,711**	142,657
Interest received	**87**	63
Overseas tax paid	**(180)**	(629)
Net cash generated from operating activities	**74,618**	142,091
Investing activities		
Purchase of property, plant and equipment	**(113,412)**	(98,487)
Other net investing activities	**(39,440)**	(35,599)
Net cash used in investing activities	**(152,852)**	(134,086)
Net cash used in financing activities	**(1)**	(2)
Net (decrease)/increase in cash and cash equivalents	**(78,235)**	8,003
Effect of foreign exchange rate changes	**467**	(68)
Cash and cash equivalents at January 1	**446,682**	530,852
Cash and cash equivalents at June 30	**368,914**	538,787

The notes on pages 13 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKAS 24 (revised 2009), Related party disclosures
– Improvements to HKFRSs (2010)

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

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3. Turnover

Turnover comprises principally subscription, service and related fees for Television and Internet services, Internet Protocol Point wholesale services and 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 Group managed its businesses according to the nature of services provided. Management has determined two reportable operating segments for measuring performance and allocating resources. The segments are Television and Internet and multimedia.

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

3. Turnover *(continued)*

Business segments for the six months ended June 30

	Television		Internet and multimedia		Unallocated		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Revenue from external customers	**867,999**	720,042	**166,893**	222,097	**15,933**	19,901	**1,050,825**	962,040
Inter-segment revenue	**5,713**	5,127	**535**	9,042	**2,725**	1,282	**8,973**	15,451
Reportable segment revenue	**873,712**	725,169	**167,428**	231,139	**18,658**	21,183	**1,059,798**	977,491
Reportable segment results ("EBIT")	**(22,235)**	(101,874)	**30,370**	54,608	**(56,792)**	(60,554)	**(48,657)**	(107,820)
Inter-segment elimination							**(322)**	(593)
Loss from operations							**(48,979)**	(108,413)
Interest income							**353**	61
Finance costs, net							**1**	–
Non-operating (expenses)/income							**(2,469)**	1,180
Share of loss of associate							**–**	(39,081)
Income tax							**(3,652)**	762
Loss for the period							**(54,746)**	(145,491)

4. Loss before taxation

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

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Depreciation		
– assets held for use under operating leases	**11,897**	9,227
– other assets	**104,689**	117,220
	116,586	126,447
Amortisation of programming library*	**38,528**	41,151
Staff costs	**332,096**	371,503
Contributions to defined contribution retirement plans	**16,399**	16,642
Cost of inventories	**5,404**	5,756
Auditors' remuneration	**1,415**	1,267
Non-operating expenses/(income)		
Net loss/(gain) on disposal of property, plant and equipment	**2,469**	(1,180)

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

5. Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

	Six months ended June 30,	
	2011	2010
	HK$'000	HK$'000
Current tax – Overseas		
Tax for the period	**(165)**	(299)
Deferred tax (Note 13(b))		
Utilisation of prior year's tax losses recognised	**(6,654)**	(3,888)
Reversal of temporary differences	**3,167**	4,949
	(3,487)	1,061
Income tax	**(3,652)**	762

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 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. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$54,750,000 (2010: HK$145,545,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2010: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2011 and 2010.

7. Property, plant and equipment

	HK$'000
Net book value at January 1, 2011	1,146,422
Additions – Network, decoders, cable modems and television production systems	76,941
– Others	10,930
Disposals	(3,152)
Depreciation	(116,586)
Impairment loss	(1,366)
Reclassification to inventories	(261)
Exchange reserve	909
Net book value at June 30, 2011	1,113,837

8. Programming library

	HK$'000
Net book value at January 1, 2011	113,587
Additions	35,001
Amortisation	(38,528)
Net book value at June 30, 2011	110,060

9. Other intangible assets

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
Club debentures	**4,006**	4,006

10. 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, 2011 HK$'000	At December 31, 2010 HK$'000
0 to 30 days	**27,994**	17,532
31 to 60 days	**3,827**	17,966
61 to 90 days	**17,837**	14,116
Over 90 days	**13,898**	17,769
	63,556	67,383

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

11. Amounts due to trade creditors

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

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
0 to 30 days	**18,519**	9,102
31 to 60 days	**21,882**	13,842
61 to 90 days	**12,751**	15,862
Over 90 days	**17,757**	46,620
	70,909	85,426

12. Share capital

	At June 30, 2011		At December 31, 2010	
	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 and end of period/year	**2,011,512**	**2,011,512**	2,011,512	2,011,512

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.

13. Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
Overseas taxation	**1,833**	1,791

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2011	90,544	(370,613)	(280,069)
(Credited)/charged to consolidated income statement *(Note 5)*	(3,167)	6,654	3,487
At June 30, 2011	87,377	(363,959)	(276,582)

13. Income tax in the consolidated statement of financial position *(continued)*

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
Net deferred tax assets recognised on the consolidated statement of financial position	**(335,347)**	(343,145)
Net deferred tax liabilities recognised on the consolidated statement of financial position	**58,765**	63,076
	(276,582)	(280,069)

(c) Deferred tax assets not recognised:

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

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
Future benefit of tax losses	**400,850**	399,807
Impairment loss for bad and doubtful accounts	**64**	69
	400,914	399,876

14. Commitments

Commitments outstanding as of June 30, 2011 not provided for in the interim financial report were as follows:

	At June 30, 2011 HK$'000	At December 31, 2010 HK$'000
Capital commitments		
(i) Property, plant and equipment		
– Authorised and contracted for	**36,376**	8,096
– Authorised but not contracted for	**131,510**	111,743
	167,886	119,839
(ii) Acquisition of equity interests in prospective subsidiary and associate		
– Authorised and contracted for	**2,989**	2,895
– Authorised but not contracted for	**–**	–
	2,989	2,895
	170,875	122,734

15. Contingent liabilities

As at June 30, 2011, there were contingent liabilities in respect of the following:

(a) The Company has undertaken to provide financial support to its certain subsidiaries in order to enable them to continue to operate as going concerns.

(b) Guarantees, indemnities and letters of awareness to banks totalling HK$12 million (December 31, 2010: HK$12 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at June 30, 2011, HK$2 million (December 31, 2010: HK$2 million) was utilised by the subsidiaries.

As at the end of the reporting period, the Company has issued three separate guarantees to a bank in respect of banking facilities granted to two wholly-owned subsidiaries. At June 30, 2011, 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 end of the reporting period under the guarantees issued is the facilities drawn down by the wholly-owned subsidiaries of HK$2 million. The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and the transaction price was HK$nil.

15. Contingent liabilities *(continued)*

(c) At the end of reporting period, the Company has contingent liabilities relating to counter-indemnity given to an intermediate holding company of the Company in respect of the obligations and liabilities of the Group under the programming agreements with a supplier in respect of which the intermediate holding company has given guarantees.

At June 30, 2011, the Directors do not consider it probable that a claim will be made against the Company under the counter-indemnity as the probability of default payment for the programming agreements is remote.

16. 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, 2010 continued to take place during this interim reporting period.

During the six months ended June 30, 2011, the Group entered into an agreement with a fellow subsidiary in relation to the disposal of a computer software system, which is known as the NETMAP System, at a consideration of HK$7.5 million. Such transaction is considered to be related party transaction and also constitute connected transaction as defined under the Listing Rules.

17. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2011 has been reviewed with no disagreement by the Audit Committee of the Company.

18. Approval of unaudited interim financial report

The unaudited interim financial report was approved by the Directors on August 9, 2011.

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.

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 the code of conduct adopted by the Company regarding directors' securities transactions during the period under review.

DIRECTORS' INTERESTS IN SHARES

At June 30, 2011, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, The Wharf (Holdings) Limited ("Wharf") (which is the Company's parent company), Wheelock and Company Limited ("Wheelock") (which is Wharf's parent company) and Wharf Finance (No. 1) Limited (which is a fellow subsidiary of the Company), and the percentages (if applicable) which the relevant securities represented to the issued share capitals of the four relevant companies respectively are also set out below:

	Quantity held (percentage of issued capital, if applicable)	**Nature of interest**
The Company – Ordinary Shares		
Stephen T H Ng	1,265,005 (0.0629%)	Personal interest
Wheelock – Ordinary Shares		
Stephen T H Ng	300,000 (0.0148%)	Personal interest
Wharf – Ordinary Shares		
Stephen T H Ng	804,445 (0.0266%)	Personal interest
Wharf Finance (No. 1) Limited – HK$ Fixed Rate Notes due 2020		
Roger K H Luk	HK$1,000,000	Personal interest
	HK$1,000,000	Family interest

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 as at June 30, 2011 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial period.

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, 2011, 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 share 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, 2011, there were no short position interests recorded in the Register.

CHANGES OF INFORMATION OF DIRECTORS

Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2011, of any and all Director(s) of the Company for whom there has/have been change(s) of amounts of emoluments since the publication of the last annual report of the Company:

Director	#Salary and various allowances HK$'000	##Discretionary annual bonus in cash HK$'000
Stephen T H Ng	1,908 *(2010: 1,859)*	4,000 *(2010: 3,600)*

Not including the Director's fee of HK$60,000 per annum to each of the Directors of the Company payable by the Company.

Paid during the six-month period ended June 30, 2011, with the amount(s) of such discretionary annual bonus(es) fixed/decided unilaterally by the employer(s).

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.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, August 9, 2011

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 four Independent Non-executive Directors, namely, Mr T K Ho, Mr Roger K H Luk, Mr Patrick Y W Wu and Mr Anthony K K Yeung.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by post or by hand delivery, or via email to i-cablecomm-ecom@hk.tricorglobal.com.