有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

ANNUAL REPORT 2011

i-CABLE Communications Limited is an integrated communications company in Hong Kong, commanding one of the largest and most influential TV viewer and communications service user bases in town.

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 near universal wireline telecommunications networks in Hong Kong, over which it provides Television, Broadband and Telephony services to well over one million households and businesses.

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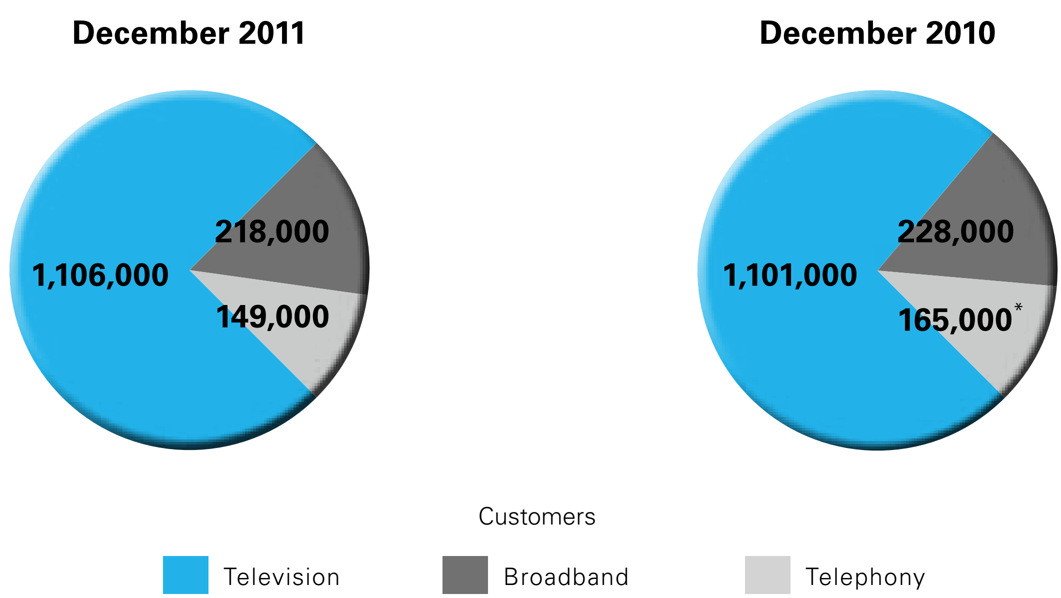
Results Highlights

- Group revenue continued to rebuild, as the Group continued to strengthen programming, improve service offerings, expand product diversity, introduce value-added services, streamline operations and effect infrastructure improvements.
- Its loss position improved in 2011. The operating environment, however, remains challenging as the Group strives to return to profitability.
- Turnover increased by 5% to HK$2,110 million (2010: HK$2,002 million).
- EBITDA improved to HK$78 million (2010: HK$5 million).
- Net loss of HK$179 million decreased by 33% (2010: HK$267 million).



* *The comparative figure has been adjusted to conform to current year presentation as a result of the acquisition of a subsidiary during 2011.*

Corporate Information

BOARD OF DIRECTORS

Stephen T H Ng	Chairman & Chief Executive Officer
William J H Kwan	Chief Financial Officer
Paul Y C Tsui	

Independent Non-executive Directors

T K Ho
Herman S M Hu, *BBS, JP*
Roger K H Luk, *BBS, JP*
Patrick Y W Wu
Anthony K K Yeung, *JP*

GROUP EXECUTIVES

Stephen T H Ng	Chairman & Chief Executive Officer
William J H Kwan	Chief Financial Officer
Ronald Y C Chiu	Executive Director, i-CABLE News Limited and i-CABLE Sports Limited
Samuel C C Tsang	Executive Director, i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited
Vincent C S Cheung	Senior Vice President, Subscription Services
Simon K K Yu	Senior Vice President, i-CABLE Network Operations Limited
S Y Wai	Vice President, External Affairs

COMPANY SECRETARY

Wilson W S Chan, *FCIS*

AUDITORS

KPMG, Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City,
Canton Road, Kowloon, Hong Kong
Telephone: (852) 2118 8118 Fax: (852) 2118 8018

PRINCIPAL BUSINESS ADDRESS

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

CORPORATE WEBSITE

www.i-cablecomm.com

INQUIRIES

info@i-cablecomm.com

Chairman's Statement

DEAR SHAREHOLDERS,

Changing consumer sentiments, market competition and a rapidly transforming operating landscape were the key factors marking the year of 2011, impacting the Group in different ways.

Despite such challenges, our efforts and prudent strategies brought about a 5% increase in consolidated turnover to HK$2,110 million and an improvement in EBITDA to HK$78 million from HK$5 million. This resulted in an improved loss of HK$179 million in 2011, as compared to the HK$267 million loss in 2010.

The vibrant consumer market helped bring commercial airtime sales to a record high, boosting the Television segment's turnover to HK$1,749 million with a 12% increase over 2010. This bears witness to our revenue potential as a leading broadcaster with a strong viewership base and highly prized programming. Such high consumer spending, however, brought only modest growth in subscription, as we faced intense competition from both legal and illegal services.

Competition also took on newer dimensions in the form of all-inclusive service packages seeking total customer ownership. Losing a customer in one service could also mean collateral attrition in other services. This, together with aggressive pricing, helped explain the continual pressure on our Broadband and Telephony services. We have been putting much focus on effective market initiatives and flexible service packages to protect our customer base.

Cross-platform competition is another threat that gained momentum in 2011. For instance, mobile devices proliferation has made it possible for newspapers to achieve a much wider reach through porting materials to the Internet, either in electronic print form or in various multimedia formats. Mobile service operators could also transmit instant news, movies and dramas on smart devices. The traditional lines differentiating platforms are blurrier than ever, if such demarcations would remain ever sensible from now onwards. The Group is fully aware of this challenge on the one hand and revenue potential on the other. As both platform operator and content provider, we find ourselves in a vantage position and have started a host of innovative initiatives to capitalise on this development. More ideas are being pursued.

This new landscape involving competition across multiple media and delivery platforms has already been likened by some media pundits to the Warring States Period in ancient China. We would make every possible effort to fortify our fundamentals, hone our competitiveness and capture new opportunities with a view to ensuring a timely return to profitability.

The year 2012 will be a very exciting time for every one of us in the Group as we are all set to bring the much-anticipated London 2012 Olympics to Hong Kong on various platforms with unprecedented coverage. We are also fully geared up for our affiliated company Fantastic Television Limited to obtain a licence and start providing domestic free TV services later this year. Having a free TV affiliate alongside our already very strong pay TV and Internet platforms would certainly give the Group a stronger than ever foothold to meet challenges ahead and achieve further growth.

Let me take this opportunity to again extend my heartfelt thanks to our shareholders, partners, customers and colleagues for staying with us every step of the way through good times and bad. I earnestly look forward to your continuous support without which the Group's progress and achievements could not have been possible.

Mr Anthony K K Yeung, after having served as Independent Non-executive Director for eight years, has recently decided to resign with effect from June 1, 2012. I wish to thank him for his invaluable support and guidance during his tenure. I would also like to welcome Mr Herman S M Hu who will join the Company's Board as Independent Non-executive Director effective from April 1, 2012. Mr Hu's vast experience and insight in business and community will be of immense value to the Group.

Stephen T H Ng
Chairman and Chief Executive Officer
i-CABLE Communications Limited
Hong Kong, March 19, 2012

Business Review

COMPETITION AND OPERATING ENVIRONMENT

The Group's efforts to sustain competitiveness and growth in the challenging operating environment bore fruit in 2011. This resulted in an improved loss position over the previous year.

During the year, effective marketing and promotional campaigns were executed to leverage our prized content and strong HD services. Initiatives were also taken to strengthen programming, improve service offerings, expand product diversity, introduce value-added services, streamline operations and effect infrastructure improvements to protect and expand our market share.

The period also saw a record high advertising turnover which, together with growth in our TV services customer base, helped boost this segment's revenue. Operating margin continued to come under considerable pressure in the face of competition and rising costs. This situation would likely remain a challenge for us in the foreseeable time ahead, as we continue to invest in and for the future.

TELEVISION SERVICES

Our TV services customer base saw a moderate increase in the year to 1,106,000. Turnover increased by 12% to HK$1,749 million, mainly attributable to the increase in higher yield subscriptions and advertising income. Operating costs before depreciation increased by 3% to HK$1,680 million primarily due to higher programming costs of prized content such as the Barclays English Premier League, UEFA Leagues and German Bundesliga, partly offset by expenses in 2010 from FIFA World Cup, Asian Games and Winter Olympics that did not recur in 2011. EBITDA improved to HK$69 million from the previous year's loss of HK$64 million.

We strengthened our service offerings to meet customers' fast-changing needs and the rapidly evolving entertainment landscape now comprising not only TV services but also various alternatives available on the Internet and mobile platforms. Launched during the year were initiatives such as a pay-per-day service for live BPL matches for casual viewers and a mobile application named "joemud?", giving smart-phone users access to some of our news, information and entertainment programming free of charge. After the turn of the new year, BPL matches in 3D for TV and a value-added service allowing paying customers to view live-streaming channels on mobile devices were introduced.

INTERNET & MULTIMEDIA

Our Broadband and Telephony businesses continued to come under competitive pressure from not only wireline service providers but also wireless operators luring customers with aggressive service packages often bundled with multiple products designed to completely capture the customer by seeking to cover his every communications and entertainment need.

Broadband services customers decreased in the year to 218,000, while Telephony services customers decreased to 149,000. Turnover decreased by 21% to HK$340 million. Operating costs before depreciation decreased by 14% to HK$213 million. EBITDA decreased by 31% to HK$127 million.

The Group continued with service and network upgrades to contain customer loss. Rollout of a 130 Mbps downstream service upgrade is nearing completion. Additional upgrade alternatives are being implemented or under consideration. The resulting expansion in network capacity and improvement in service quality would help reduce customer attrition, protect revenue through upselling to existing customers and attract new ones.

PROGRAMMING

During the year, efforts were made and resources expended to boost content across our flagship sports, news and entertainment platforms to bring customers a diverse mix of quality programmes.

Entertainment

Our entertainment platform continued to enjoy a strong and leading foothold in the local broadcasting industry with its rich collection of acquired and locally produced premium programming covering dramas, movies, variety shows, travelogues, life-style, entertainment news and celebrity interviews.

The much-anticipated new season of the controversial yet popular *Unbelievable* series once again received high ratings and good reviews while keeping home viewers engaged but thrilled. New elements of this latest series included live broadcasts and overseas expeditions that took viewers to the realm of all things paranormal.

Our movie platform had a power boost with a brand new channel, "*Cine p.*", in both SD and HD formats screening mature titles that are not available on free TV. They included critically acclaimed, award-winning and controversial titles from the world over. The collection included a considerable number of titles which were either first-runs on local TV or previously not released in Hong Kong, many in their original uncut, unrated versions wherever possible to give viewers an unrivalled experience of genre diversity at the comfort, privacy and convenience of home entertainment. Further enhancement of our movie platform continued in early 2012, including a revamp of the *HMC* channels and the introduction of a genre-specific channel.

Sports

Sports fans in Hong Kong just know where to turn to for exclusive and action-packed excitement. During the year, international world-class competitions such as the 7th Asian Winter Games in Kazakhstan, Copa America 2011 in Argentina, FIFA Women's World Cup 2011 in Germany and 14th FINA World Swimming Championships in Shanghai were brought to viewers in extensive coverage.

Our top-notch football coverage included the much-loved Barclays English Premier League, UEFA Champions League, UEFA Europa League and German Bundesliga. A new 24-hour channel in both HD and SD was launched in August to provide exclusive and comprehensive coverage of the 2011/12 BPL season. Football fans were also overjoyed with the news of our extending the exclusive rights to the UEFA Leagues for three more seasons from 2012 to 2015.

We had also started counting down to the London 2012 Olympics with extensive programming planned for the run-up to the Games, which would be available exclusively on CABLE TV in unprecedented coverage.

News

Hong Kong's fearless and independent press has always been an integral part of what makes this Asian cosmopolitan tick. Our professional news team continued with its leading position not only as a quality content provider but also a highly dedicated and professional member of the local press corps serving the community by unfailingly providing fast, accurate and independent reports and updates 24 hours a day. Their news and public affairs programmes continued to garner prestigious recognitions during the year including the Telly Awards, Chicago Film Festival Hugo Television Awards, Human Rights Press Awards, Kam Yiu-yu Press Freedom Award and Chinese University Journalism Award.

Riding on the fast proliferation of mobile devices and Hong Kong's seemingly ever-growing Internet and mobile usage, we were proactively seeking out opportunities for the provision of our news and public affairs programmes for Internet and mobile consumption. Plans were also underway to introduce HD capabilities to our news platform in the near future and further enrich the presentation of our newscasts to help viewers stay better abreast of what was going on both here and elsewhere in more innovative ways.

ADVERTISING SERVICES

Our advertising arm reported substantial turnover increases in 2011, a record high surpassing even the years when there was high-interest mega programming such as the FIFA World Cup. This bore clear testimony to the leadership position that advertising on CABLE TV has established in the industry.

Newsline Express in Mass Transit Railway Corporation trains also reported a significant growth in advertising revenue. Taking this successful business venture further, an agreement was reached with MTRC to cover additional lines under a phased scheme starting in December 2011. This development would strengthen this business arm's revenue potential through providing more train commuters with speedily updated news, finance, sports and entertainment programming from the Group.

SUNDREAM MOTION PICTURES

Well acknowledged for its discerning tastes and acute market sensibility, Sundream continued with its proven track record of identifying quality productions and bringing them to the Hong Kong audience. Among the titles released during the period was a British historical drama film, *The King's Speech*, which was a major box office and critical success both here and overseas. The 2011 lineup also included *Larry Crowne, Apollo 18, The Spy Kid 4, The Whistleblower* and the Sundream co-produced *Love in Space*.

Corporate and Community Affairs

HUMAN RESOURCES

With their unfailing support and wholehearted dedication, our talented team of professionals has turned in yet another year of impressive performance enabling the Group to achieve its business objectives and made significant financial improvements during the year despite a very challenging operating environment.

At year-end, the Group had a total of 2,829 employees (2010: 2,634). Gross salaries and related costs incurred amounted to HK$709 million (2010: HK$712 million).

CORPORATE SOCIAL RESPONSIBILITY

The Group treasures our employees as our most valuable assets. We endeavour to foster a good work-life balance for employees because we are fully aware of the importance of having a satisfied and happy team. In addition to organising various recreational activities for staff, we attach much significance to motivating colleagues to actively take part in community affairs helping the needy and underprivileged.

Established in 2003, our staff volunteering team continued to grow and put in a total of 796 hours of volunteering work during the year. In 2011, the Group put a stronger focus on volunteering for the elderly, children and families with inadequate social support. Leading charitable organisations that we worked with included the Community Chest, Po Leung Kuk, and Tung Wah Group of Hospitals. Activities and events included outings and Mid-Autumn Festival parties for the elderly, free photo-taking service for low-income families as well as Halloween parties and Ocean Park visits for underprivileged children and their families.

Other community and charitable activities supported by our staff included the Orbis Mini Flying Eye Hospital Mobile String Charity Sale and the Red Cross Red Décor Day, as well as the Community Chest's Dress Casual Day, Skip Lunch Day and Love Teeth Day. A Charity Bowling Competition was staged for colleagues to help raise funds for a Volunteer Fund under the Group.

The Group received the "Caring Company Scheme 5 Years Plus Logo" for the eighth year in 2011 from the Hong Kong Council of Social Service in recognition of our continuous commitment as a socially responsible corporation. CABLE TV also received from the same organisation the "Caring Company Logo" for the second year in a roll.

Since 2011, the Group has been a staunch supporter of the Wharf Group's innovative *Project We Can* initiative. A significant number of students from participating secondary schools under this project have visited us to see first-hand how different units of a leading television station and telecommunications service provider operated 24 hours a day serving Hong Kong people. They also had the opportunity to meet our dedicated staff representatives to learn more about their work and career opportunities.

The Group continued to step up its efforts on the environmental protection front. We participated for the third consecutive year in the "Earth Hour" campaign, encouraging employees to turn off unnecessary lighting at Group premises and helping promote this initiative on our company website.

In 2011, paper consumption was 40% lower than 2008, with power and fuel consumption down by 17% and 2% respectively.

Outlook

During the year, many businesses across Hong Kong benefited greatly from the strong local economy, a prosperous consumer market and the general "feel-good" factor among the population. Despite such favourable factors, however, an overly optimistic outlook for 2012 must be cautioned against.

Firstly, it remains to be seen how Hong Kong would fare in the year ahead with a host of external problems looming on the horizon. These include the sovereign debt crisis in Europe that seriously threatens to worsen, a tentative United States economy and signs of a less certain economy in China. Any of these alone would result in a considerable drag on Hong Kong's economy affecting the performance of businesses such as ours.

Competitive pressure is not expected to ease and operating costs will remain high across all business arms in 2012. Despite the past few years' significant increase in our Pay TV customer base, similar growth rates would be difficult to sustain in a fairly saturated Pay TV market in which operators not only have to compete among themselves but also have to deal with competition from the sharp increase in free TV channels and the vast amount of both legally licensed and illegally distributed programming on the new media. Our Broadband and Telephony businesses would continue to come under pressure from aggressively priced offers by both wireline and mobile services competitors. All these factors will continue to drag the Company's return to profitability.

The year of 2012 would see viewership, content and advertising spending being intensely vied for in a media marketplace becoming far more crowded than ever possibly conceived, with three new players applying for a licence to operate free TV services, more than a dozen digital audio channels hitting the air and a mobile TV operator commissioning services in addition to the incumbent electronic and print media already in the fray. More platforms and channels would push up programming acquisition and production costs whereas an even more intensified battle for viewers would mean higher cost of sales. And the fight for advertising spending would likely drive our per minute airtime sales rates down.

Despite such challenges, we will endeavour to strengthen our programming offers, enhance the effectiveness of our marketing initiatives, invest in service and infrastructure upgrades, introduce innovative value-added services for customers and explore ways outside traditional broadcasting means to unlock the full potential of our prized contents so as to drive customer and revenue growths.

Financial Review

Financial Review

(A) REVIEW OF 2011 RESULTS

Consolidated turnover was 5% higher year-on-year at HK$2,110 million.

Operating costs before depreciation increased by 2% to HK$2,031 million. Programming costs increased by 2% to HK$1,305 million due primarily to the European soccer leagues partly offset by expenses relating to 2010 FIFA World Cup, 2010 Asian Games and 2010 Winter Olympics which did not recur in 2011. Cost of sales increased by 67% to HK$92 million mainly due to acquisition of retail telephony business during the year. Selling, general and administrative and other operating expenses decreased by 6% to HK$409 million. Network expenses decreased by 3% to HK$225 million.

EBITDA increased to HK$78 million (2010: HK$5 million).

Loss after tax decreased to HK$179 million as compared to HK$267 million in 2010. Basic and diluted loss per share was HK$0.09 as compared to loss per share of HK$0.13 in 2010.

(B) SEGMENTAL INFORMATION

Television

TV services customers increased by 5,000 in 2011 to 1,106,000 while turnover increased by 12% to HK$1,749 million, partly due to higher advertising income. Operating costs before depreciation increased by 3% to HK$1,680 million. EBITDA improved to HK$69 million from 2010's loss of HK$64 million.

Internet & Multimedia

Broadband services customers decreased by 9,000 in 2011 to 218,000. Turnover decreased by 21% to HK$340 million. Operating costs before depreciation decreased by 14% to HK$213 million. EBITDA decreased by 31% to HK$127 million (2010: HK$184 million).

On September 1, 2011, the Group took over ownership of i-CABLE Telecom Limited ("iTL"), together with its assets, business and staff. iTL was previously wholly owned by Wharf T&T Limited ("WTT") and provides fixed line telephony services to residential customers, primarily over i-CABLE's HFC network and under i-CABLE's brand and supervision. In the four months to December 2011, Telephony services customers decreased by 6,000 to 149,000 and EBITDA of HK$14 million was included under the Internet and Multimedia segment.

(C) LIQUIDITY AND FINANCIAL RESOURCES

As of December 31, 2011, the Group had net cash of HK$338 million, as compared to HK$447 million at December 31, 2010.

The consolidated net asset value of the Group as at December 31, 2011 was HK$1,563 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 2011 amounted to HK$199 million, 20% lower than in 2010. Major items included HD set-top-boxes, eMTA, broadband network upgrade as well as TV production and broadcast facilities for HD channels.

The Group is comfortable with its present financial and liquidity position. Capital expenditure and new business development will be funded by cash generated from operations and, if needed, bank borrowings or other external sources of funds.

(D) CONTINGENT LIABILITIES

At December 31, 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 provided by banks up to HK$206 million (2010: HK$12 million), of which HK$Nil (2010: HK$2 million) had been utilised by the subsidiaries.

(E) HUMAN RESOURCES

Under the Group's established pay-for-performance policy, our dedicated and talented professional teams put in their best to further the Group's business objectives.

The Group had 2,829 employees at the end of 2011 (2010: 2,634). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$709 million (2010: HK$712 million).

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended December 31, 2011, all the code provisions set out in the Code on Corporate Governance Practices (the "Code") 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"), which were in force during such financial year, were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended December 31, 2011, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(I) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five Board meetings were held during the financial year ended December 31, 2011. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meetings
Chairman and Chief Executive Officer	
Stephen T H Ng	5/5
Chief Financial Officer	
William J H Kwan	5/5
Non-executive Director	
Paul Y C Tsui	5/5
Independent Non-executive Directors	
T K Ho	5/5
Herman S M Hu *(appointed with effect from April 1, 2012)*	N/A
Roger K H Luk	5/5
Patrick Y W Wu	4/5
Anthony K K Yeung	4/5

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

(II) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Stephen T H Ng serves as the Chairman and Chief Executive Officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such 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, more than half thereof being Independent Non-executive Directors.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors. The re-election of each of those Independent Non-executive Directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

(F) BOARD COMMITTEES

(I) Compensation Committee

The Company has set up a Compensation Committee consisting of two Independent Non-executive Directors.

One Compensation Committee meeting was held during the financial year ended December 31, 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meeting
Anthony K K Yeung, *Chairman*	1/1
T K Ho	1/1

(i) The terms of reference of the Compensation Committee are aligned with the provisions set out in the Code as recently revised which comes into force from April 1, 2012 onwards (the "Revised Code"). Given below are the main duties of the Compensation Committee:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

(c) either:

(i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(F) BOARD COMMITTEES *(continued)*

(I) Compensation Committee *(continued)*

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules;

(j) to decide with respect to the Employee Share Option Scheme (if any):

(i) the Employees to whom Options shall be granted;

(ii) the number of Shares subject to each Option;

(iii) the date on which Options shall be granted; and

(iv) the Subscription Price; and

(k) to review any compensation related or other issues as requested by the Board.

(ii) The work performed by the Compensation Committee for the financial year ended December 31, 2011 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining fee payable to each of the Directors of the Company, currently at the rate of HK$60,000 per annum, and fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK$20,000 per annum, is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(II) Nomination Committee

The Company set up a Nomination Committee on February 1, 2012 comprising 3 members, namely, the Chairman of the Company Mr Stephen T H Ng (as its chairman) and two Independent Non-executive Directors, namely, Mr T K Ho and Mr Anthony K K Yeung.

The terms of reference of the Nomination Committee are aligned with the provisions set out in the Revised Code. Given below are the main duties of the Nomination Committee:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of Independent Non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.

(F) BOARD COMMITTEES *(continued)*

(III) Audit Committee

All the Members of the Audit Committee of the Company are appointed from the Independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Anthony K K Yeung has the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the financial year ended December 31, 2011. Attendance of the Members is set out below:

Members	Attendance/Number of Meetings
Anthony K K Yeung, *Chairman*	3/3
T K Ho	3/3
Patrick Y W Wu	2/3

(i) The terms of reference of the Audit Committee are aligned with the provisions set out in the Revised Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(A) Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(B) Review of financial information of the Company

(a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) regarding (B)(a) above:

(i) members of the Committee should liaise with the Company's Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(F) BOARD COMMITTEES *(continued)*

(III) Audit Committee *(continued)*

(C) Oversight of the Company's financial reporting system and internal control procedures

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(c) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(d) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(e) to review the Group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to report to the Board on the matters in the Code Provisions in the Listing Rules;

(i) to establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(k) to act as the key representative body for overseeing the Company's relations with the external auditors; and

(l) to consider other topics, as defined by the Board.

(D) Review and reassessment of these terms of reference

At least annually, the Committee shall review and reassess the adequacy of these terms of reference and recommend any proposed changes to the Board for approval.

(E) Oversight of the Company's Corporate Governance Matters

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to consider other topics, as defined by the Board.

(F) BOARD COMMITTEES *(continued)*

(III) Audit Committee *(continued)*

(ii) The work performed by the Audit Committee for the financial year ended December 31, 2011 is summarised below:

(a) approval of the remuneration and the appointment and the terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(G) AUDITORS' REMUNERATION

The fees in relation to the audit services for the financial year ended December 31, 2011 provided by KPMG, the external auditors of the Company, amounted to HK$2.7 million.

(H) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the Audit Committee. The external auditors have access to a full set of internal audit reports.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting and financial reporting function was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended December 31, 2011. Based on the result of the review, in respect of the financial year ended December 31, 2011, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(I) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended December 31, 2011, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended December 31, 2011:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(J) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy was adopted by the Company on March 12, 2012 to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website www.i-cablecomm.com. Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(K) SHAREHOLDERS' RIGHTS

(I) Convene an Extraordinary General Meeting

Pursuant to Section 113 of the Hong Kong Companies Ordinance, on requisition by one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address, fax number and telephone number by which Shareholders may at any time address their concerns or enquiries to the Company's Board.

(III) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Information section of the Company's corporate website.

(ii) The procedures for proposing resolution(s) to be moved at a Shareholders' meeting are as follows:

Shareholder(s) can submit a written requisition to move a resolution at a Shareholders' meeting pursuant to Section 115A of the Hong Kong Companies Ordinance, if they –

(a) represent not less than 2.5% of the total voting rights of all Shareholders having at the date of the requisition a right to vote at the Shareholders' meeting; or

(b) are no less than 50 shareholders holding the Company's shares on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must –

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the Shareholders' meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong) for the attention of the Company Secretary not less than 6 weeks (as required in most circumstances under the applicable laws) before the Shareholders' meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the Shareholders' meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all Shareholders in accordance with the requirements under the applicable laws and rules.

Report of the Directors

The Directors submit herewith their Report and the Audited Financial Statements for the financial year ended December 31, 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries which principally affected the results, assets or liabilities of the Group are set out in Note 17 to the Financial Statements on pages 60 to 62.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended December 31, 2011 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 28 and 29 respectively.

Appropriations and movements in reserves during the financial year are set out in the Consolidated Statement of Changes in Equity on page 32.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the financial year ended December 31, 2011.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year are set out in Note 12 to the Financial Statements on pages 57 and 58.

DONATIONS

The Group made donations during the financial year totalling HK$16,600.

DIRECTORS

The Directors of the Company during the financial year were Mr Stephen T H Ng, Mr William J H Kwan, Mr T K Ho, Mr Roger K H Luk, Mr Paul Y C Tsui, Mr Patrick Y W Wu and Mr Anthony K K Yeung.

Messrs Stephen T H Ng, T K Ho and Paul Y C Tsui are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

There was in existence during the year ended December 31, 2011 a management services agreement dated November 1, 1999 with Wharf Limited (a wholly-owned subsidiary of The Wharf (Holdings) Limited ("Wharf")), as revised by supplemental agreements, whereby Wharf Limited agreed to continue to provide or procure the provision of services including corporate secretarial services, treasury services, provision of management personnel and other general corporate services to the Group for a term expiring on December 31, 2012. Mr Stephen T H Ng and Mr Paul Y C Tsui were directors of Wharf and/or Wharf Limited and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that there existed certain outstanding options to subscribe for ordinary shares of Wharf granted under Wharf's Share Option Scheme (the "Scheme") to certain employees/directors of Wharf group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of Wharf would be issued at such prices as being equal to the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iv) the nominal value of a share of Wharf; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of offer for the grant of relevant options, as determined by the board of directors of Wharf. During the financial year, no share of Wharf was issued to any Director of the Company under the Scheme.

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 year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, March 12, 2012

Note: Subsequent to the date of the above Report of the Directors, Mr Herman S M Hu was appointed a Director of the Company; such appointment to be effective from April 1, 2012, and he will retire at the forthcoming Annual General Meeting in accordance with Article 78 of the Company's Articles of Association. Being eligible, he offers himself for re-election.

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Stephen Tin Hoi NG, *Chairman and Chief Executive Officer (Age: 59)*

Mr Ng has been Director and Chief Executive Officer of the Company since 1999 and became its Chairman in August 2001. He also serves as a member and the chairman of the Company's Nomination Committee. He is the deputy chairman of publicly-listed Wheelock and Company Limited ("Wheelock"), which is the ultimate holding company of the Company, and deputy chairman and managing director of publicly-listed The Wharf (Holdings) Limited ("Wharf"), of which the Company is a subsidiary, as well as the chairman of Harbour Centre Development Limited ("HCDL"), being a publicly-listed fellow subsidiary of the Company. Furthermore, Mr Ng is chairman of Modern Terminals Limited, chairman and chief executive officer of Wharf T&T Limited ("WTT"), and director and chief executive officer of Wharf Communications Limited ("Wharf Communications"), all being fellow subsidiaries of the Company, as well as a director of Wheelock Investments Limited ("WIL"), also being a fellow subsidiary of the Company, and certain subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). The basic salary and various allowances (covered by service contract) of Mr Ng for the year 2012, calculated on annualised basis would be approximately HK$2.00 million (2011: HK$1.91 million) per annum.

William Jut Ho KWAN, *Director and Chief Financial Officer (Age: 48)*

Mr Kwan was appointed Chief Financial Officer in January 2006 and a Director of the Company in February 2007. He is responsible for finance, accounting, planning, corporate development, investor relations, new media development, film production and distribution, broadcasting and engineering operations, commercial dealings with acquired channels, human resources and administration. He is also a director of certain subsidiaries of the Company. Under the existing service contract between the Group and Mr Kwan, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK$1.91 million (2011: HK$1.80 million) per annum.

Ting Kwan HO, *Director (Age: 67)*

Mr Ho has been an Independent Non-executive Director of the Company since 2009. He also serves as a member and the deputy chairman of the Company's Audit Committee, and a member of each of the Company's Compensation Committee and Nomination Committee. Mr Ho has over 40 years of comprehensive experience in the television broadcasting industry. He joined Television Broadcasts Limited ("TVB"), publicly listed in Hong Kong, in 1968. He was appointed general manager-television broadcasting of TVB in November 1995, became its group general manager in 2002, and was appointed a director of TVB in June 2003. In April 2005, he resigned from TVB but remained as a director until April 2007. In mid-2007, Mr Ho joined Asia Television Limited and became its chief operating officer until his retirement at the end of 2008.

Herman Shao Ming HU, *BBS, JP, Director (Age: 58)*

Mr Hu, *BSc, FCIBSE, FHKIE, MIEEE, C. Eng.*, has been appointed an Independent Non-executive Director of the Company with effect from April 1, 2012. He is the chairman of Ryoden Development Limited. Mr Hu serves as a member of Standing Committees of the Chinese People's Political Consultative Conference, Shanghai and All-China Federation of Industry and Commerce. He is also a member of Hong Kong Sports Commission, a director of Hong Kong Cyberport Management Company Limited, a member of Council on Human Reproductive Technology, an Honorary Court Member of Hong Kong University of Science & Technology, a member of the Election Committee of the Government of the HKSAR and the Vice Patron of The Community Chest of Hong Kong.

Roger Koon Hoo LUK, *BBS, JP, Director (Age: 60)*

Mr Luk, *FHKIB*, has been an Independent Non-executive Director of the Company since 2010. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr Luk is an independent non-executive director ("INED") of three companies publicly listed in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and Hung Hing Printing Group Limited, and also an INED of AXA General Insurance Hong Kong Limited, Octopus Cards Limited and WTT. Mr Luk was formerly an INED of Wheelock Properties Limited ("WPL", formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010) from February 2008 to July 2010. He also serves as a council member and the treasurer of The Chinese University of Hong Kong, a member of The Town Planning Board and a non-official member of the Operations Review Committee of the Independent Commission Against Corruption. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC. *(continued)*

(i) Directors (continued)

and the Investor Education Advisory Committee of the Securities and Futures Commission and the Barristers Disciplinary Tribunal Panel. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, and also a member of the first Election Committee of the Legislative Council.

Mr Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Paul Yiu Cheung TSUI, *Director (Age: 65)*
Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 2009. He is an executive director and group chief financial officer of both Wheelock and Wharf. Mr Tsui joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is presently a director of HCDL and Wheelock Properties (Singapore) Limited, being a publicly-listed fellow subsidiary of the Company. Furthermore, he is the vice chairman of WPL, and a director of WF Investment Partners Limited ("WFIP") and WIL, all being fellow subsidiaries of the Company, as well as a director of certain subsidiaries of the Company. Mr Tsui is also a director of Joyce.

Patrick Yung Wei WU, *Director (Age: 59)*
Mr Wu has been an Independent Non-executive Director of the Company since 2007. He also serves as a member of the Company's Audit Committee. Mr Wu is a managing director of American Appraisal Associates, Inc. ("AAA") and the president & managing director of American Appraisal China Limited, AAA's key operation in Asia. Mr Wu has worked both in industry as a senior executive with extensive management experience and in private practice as a lawyer. Prior to joining AAA, he was a partner of an international law firm with particular responsibility for China trade advice. Mr Wu was educated in Hong Kong and the United Kingdom. He graduated from the University of London in 1974 with a Bachelor's Degree in Science, and obtained his Master of Business Administration Degree from the Cass Business School, City University in London in 1976. Mr Wu was admitted as a solicitor of the Supreme Court in the UK in 1982 and in Hong Kong also in 1982 and is a member (non-practising) of The Law Society of Hong Kong. He is also an active member of various professional organisations, chambers of commerce and the business community in Hong Kong.

Anthony Kwok Ki YEUNG, *JP, Director (Age: 66)*
Mr Yeung, *FCCA, FCPA (Practising), FCMA, FCIS, FTIHK*, has been an Independent Non-executive Director of the Company since 2004. He also serves as a member and the chairman of each of the Company's Audit Committee and Compensation Committee, and a member of the Company's Nomination Committee. He is the chairman of K K Yeung Management Consultants Ltd. and Wall Street Resources Ltd. Furthermore, he is a managing partner of K K Yeung Partnership, Certified Public Accountants (Practising).

Mr Yeung is a member of the General Committee of The Hong Kong General Chamber of Commerce and a member of The Hong Kong-France Business Partnership. Mr Yeung is the founder chairman of the Management Consultancies Association of Hong Kong and Honorary Advisor to The Dutch Chamber of Commerce of Hong Kong and The Guangdong General Chamber of Commerce. He is a member of the Innovation and Technology Fund General Support Programme Vetting Committee appointed by the Secretary for Commerce, Industry and Technology, and also a member of the Election Committee of The Government of the HKSAR since 2000.

In July 2004, Mr Yeung was appointed as a Justice of the Peace. In January 2005, he was conferred "Grade of Knight of the Crown" by King Albert II of Belgians. Furthermore, he was appointed as the Hon. Ambassador of the Noord-Holland Province of the Netherlands in 2007.

Notes: (1) Wheelock, Wharf, WFIP, WIL and Wharf Communications (of which Mr Stephen T H Ng and/or Mr Paul Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, and considers them independent.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC. *(continued)*

(ii) Senior Management

Stephen T H Ng, *Chairman & Chief Executive Officer*

William J H Kwan, *Director & Chief Financial Officer*

Ronald Y C Chiu, *Executive Director, i-CABLE News Limited and i-CABLE Sports Limited (Age: 59)*
Mr Chiu was appointed Assistant News Controller in June 1993 and was instrumental in the launch of the first 24-hour Cantonese language News Channel in the world. Mr Chiu was promoted to News Controller in 1994 and appointed as Vice President, News & Sports in 2002. He became an executive director of i-CABLE News Limited and i-CABLE Sports Limited in September 2005. Mr Chiu is now responsible for operating channels of the Sports and News platform. Prior to joining Hong Kong Cable Television Limited ("HKC"), Mr Chiu held various senior news positions in the television industry. His experience spans from reporting, editing, news anchoring, to planning and execution of news coverage as well as management of news operation.

Samuel C C Tsang, *Executive Director, i-CABLE Entertainment Limited and Hong Kong Cable Enterprises Limited (Age: 55)*
Mr Tsang was appointed Enterprises Director in 1995 to take charge of international programme licensing and advertising sales for the station. He became chief operating officer of Hong Kong Cable Enterprises Limited ("HKCE") when it was set up in 2000 to take over advertising sales of HKC. He became General Manager of both HKCE and Hong Kong Cable News Express Limited on March 1, 2005. Mr Tsang has extensive experience in media and marketing, specialising in new business establishment in Mainland China and Hong Kong. He assumed the additional position of Executive Director, i-CABLE Entertainment Limited, in March 2011, and is also responsible for the operation and development of the Group's entertainment platform.

Vincent C S Cheung, *Senior Vice President, Subscription Services (Age: 43)*
Mr Cheung joined HKC in June 1993, specialising in service marketing. He has held various key positions in this area of the Group's business, pioneering the Group's Pay TV business in non-residential sectors as well as driving market penetration at residential estates. Mr Cheung was appointed Vice President – Subscription Services, HKC, in January 2009. His current duties include overseeing HKC's subscription services and the development of Pay TV and Broadband services.

Simon K K Yu, *Senior Vice President, i-CABLE Network Operations Limited (Age: 57)*
Mr Yu joined the Wharf group in 1987 and has held various administration and audit positions in the Wharf group. He was appointed corporate controller-operations of Wharf Communications in 1992, responsible for operations, accounting, finance, control, administration and personnel. In 1996, Mr Yu was appointed Administration and Audit Director of HKC. He became Vice President-i-CABLE Network Operations Limited in 2006 to take charge of operations of the company's HFC & MMDS networks.

S Y Wai, *Vice President, External Affairs (Age: 47)*
Mr Wai joined the Group in 2011 and is responsible for regulatory and external affairs. He came from a diverse media, public affairs and business background, having held key positions in private and public organisations in Hong Kong before joining the Company.

(B) DIRECTORS' INTERESTS IN SHARES

At December 31, 2011, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, of Wharf (which is the Company's parent company), of Wheelock (which is Wharf's parent company), and of 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	2,304,445 (0.0761%)	Personal interest
Paul Y C Tsui	1,500,000 (0.0495%)	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 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 for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at December 31, 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 year.

(C) 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 December 31, 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 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 Investments Limited	1,480,505,171 (73.60%)
(v)	Wheelock and Company Limited	1,481,442,626 (73.65%)
(vi)	HSBC Trustee (Guernsey) Limited	1,481,442,626 (73.65%)
(vii)	Marathon Asset Management Limited	121,332,000 (6.03%)

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 (vi) 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), (iv) and (v), and (v) and (vi).

All the interests stated above represented long positions and as at December 31, 2011, there were no short position interests recorded in the Register.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(D) RETIREMENT SCHEME AND MANDATORY PROVIDENT FUND

The principal retirement scheme operated by the Group is a defined contribution retirement scheme for its employees, established under a trust deed. Other fellow subsidiaries of the Company also participate in the scheme.

The scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the scheme sums which represent percentages of the employees' salaries as defined under the trust deed. Forfeited contributions may be utilised by the employers to reduce contributions.

The Group's principal retirement scheme is closed to new employees joining after October 1, 2000 while existing members of the scheme can continue to accrue future benefits.

Employees joining after October 1, 2000 will participate in the Mandatory Provident Fund ("MPF") with terms as stipulated by the MPF Authority. The Group will also provide voluntary top-up benefits to employees receiving a monthly basic salary exceeding HK$20,000 which is the relevant income cap as stipulated by the MPF Ordinance.

The Group's retirement scheme costs before capitalisation and charged to the consolidated income statement during the financial year ended December 31, 2011 amounted to HK$19,875,614 (2010: HK$ 19,345,615) which were incurred after utilisation of forfeitures to reduce the Group's contributions of HK$786,778 (2010: HK$488,038).

Note: The total employers' cost in respect of the retirement scheme of the Group, including the cost related to the MPF which is not operated by the Group, charged to consolidated income statement during the financial year ended December 31, 2011 amounted to HK$34,870,090 (2010: HK$34,455,773).

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules:

Two Directors of the Company, namely, Mr Stephen T H Ng and Mr Paul Y C Tsui, being also directors of WTT (a wholly-owned subsidiary of Wharf), are considered as having an interest in WTT under Rule 8.10 of the Listing Rules.

On September 1, 2011, the Group took over ownership of i-CABLE Telecom Limited ("iTL") from WTT, to provide fixed line telephony services to residential customers, primarily over i-CABLE's HFC network and under i-CABLE's brand and supervision. iTL was previously wholly owned by WTT.

WTT currently holds a Unified Carrier Licence to provide, *inter alia*, telecommunication services to commercial customers. WTT is therefore a potential competitor of the Group for the provision of facility-based telecommunication services at present and in future.

In order to protect the interests of the Group, prior to the date of listing of shares of the Company on the Stock Exchange, each of Wharf and Wharf Communications (being a wholly-owned subsidiary of Wharf) has covenanted with the Company, subject to certain conditions, not to, and to use its best endeavours to procure that none of the directly or indirectly held subsidiaries (including WTT) and associated companies of Wharf will, either alone or jointly with any other party, directly and indirectly carry on, or be engaged or concerned or interested in or assist, any business in Hong Kong which would compete directly or indirectly with the TV and Internet access businesses of the Group from time to time.

The Group considers that its interests in the relevant sector of its communications businesses are adequately safeguarded and the Group is capable of carrying on its communications businesses independently of, and at arm's length from, WTT.

For further safeguarding of the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's communications businesses are and continue to be run on the basis that they are independent of, and at arm's length from, that of the Wharf group.

(F) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended December 31, 2011:

(i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group did not have any bank loans, overdrafts and other borrowings outstanding as at December 31, 2011.

(H) INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended December 31, 2011.

(I) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended December 31, 2011.

(J) DISCLOSURE OF CONNECTED TRANSACTIONS

(i) Set out below is information in relation to certain continuing connected transactions (the "Transactions") between the Company (the Company being a 73.60%-owned subsidiary of Wharf), and/or its subsidiaries (together, the "Group") and other members of the Wharf group, which were substantially disclosed in an announcement of the Company dated November 24, 2009 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

Description of the Transactions	**Amounts for the financial year ended December 31, 2011** HK$ million
(a) Master Tenancy Agreement	
Amount paid/payable by the Group	42.3
(b) Master Licence Agreement for the Wharf group to occupy premises	
Amount received/receivable by the Group	6.5
(c) Master Services Agreement	
1. Amount received/receivable by the Group	49.3
2. Amount paid/payable by the Group	39.9
(d) Management services provided by the Wharf group	
Amount paid/payable by the Group	9.1
(e) Sales and Servicing Agency	
1. Amount received/receivable by the Group	6.7
2. Amount paid /payable by the Group	3.6

The above transactions are subject to various annual cap amounts previously disclosed in the abovementioned announcement of the Company. The various agreements of the above transactions will expire on December 31, 2012. The purposes of entering into the Transactions are for the continued operation and growth of the Group's business, for generation of recurrent rental revenue to the Group and/or maintaining revenue stream for the Group.

SUPPLEMENTARY CORPORATE INFORMATION *(continued)*

(J) DISCLOSURE OF CONNECTED TRANSACTIONS *(continued)*

(ii) Confirmation from Directors etc.

The Directors, including the Independent Non-executive Directors, of the Company have reviewed the Transactions and have confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

1. the Transactions had been approved by the Company's Board of Directors;

2. the Transactions, including those which involved provisions of goods or services by the Group, are in accordance with the pricing policies of the Group, where applicable;

3. the Transactions were entered into in accordance with the terms of the related agreements governing the Transactions; and

4. the relevant cap amounts have not been exceeded during the financial year ended December 31, 2011.

Note: Certain particulars of the related party transactions entered into by the Group during the financial year ended December 31, 2011 under review have been disclosed in Note 35 to the Financial Statements on pages 77 and 78. Those related party transactions also constitute connected transactions (as defined in the Listing Rules) for the Company.

Independent Auditor's Report

Independent auditor's report to the shareholders of i-CABLE Communications Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of i-CABLE Communications Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 28 to 79, which comprise the consolidated and company statements of financial position as at December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 12, 2012

Consolidated Income Statement

For the year ended December 31, 2011

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	*3, 4*	**2,109,558**	2,002,055
Programming costs		**(1,304,848)**	(1,273,649)
Network expenses		**(225,465)**	(233,314)
Selling, general and administrative and other operating expenses		**(408,898)**	(434,981)
Cost of sales		**(91,958)**	(55,206)
Profit from operations before depreciation		**78,389**	4,905
Depreciation	*5*	**(258,197)**	(253,778)
Loss from operations	*4*	**(179,808)**	(248,873)
Interest income	*5*	**826**	309
Finance costs, net	*5*	**(1,389)**	319
Impairment losses on investment	*5*	**–**	(1,649)
Non-operating (expenses)/income	*5*	**(2,860)**	670
Share of loss of associate		**–**	(41,078)
Loss before taxation	*5*	**(183,231)**	(290,302)
Income tax	*6(a)*	**3,802**	23,414
Loss for the year		**(179,429)**	(266,888)
Attributable to:			
Equity shareholders of the Company		**(179,832)**	(267,366)
Non-controlling interests		**403**	478
Loss for the year		**(179,429)**	(266,888)
Loss per share	*11*		
Basic		**(8.9) cents**	(13.3) cents
Diluted		**(8.9) cents**	(13.3) cents

The notes on pages 35 to 79 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 28(a).

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2011

	Note	**2011 HK$'000**	2010 HK$'000
Loss for the year		**(179,429)**	(266,888)
Other comprehensive income for the year (after reclassification adjustments)	*10*		
Exchange difference on translation of foreign subsidiaries' financial statements		**(864)**	560
Available-for-sale securities: net movement in the fair value reserve		**–**	–
Share of post-acquisition reserve of associate		**–**	2,932
		(864)	3,492
Total comprehensive income for the year		**(180,293)**	(263,396)
Attributable to:			
Equity shareholders of the Company		**(180,837)**	(263,937)
Non-controlling interests		**544**	541
Total comprehensive income for the year		**(180,293)**	(263,396)

The notes on pages 35 to 79 form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	*12*	**1,074,806**	1,146,422
Programming library	*13*	**106,816**	113,587
Other intangible assets	*14*	**4,006**	4,006
Interest in associate	*15*	**–**	–
Deferred tax assets	*29(b)*	**336,041**	343,145
Other non-current assets	*16*	**58,826**	110,989
		1,580,495	1,718,149
Current assets			
Inventories	*19*	**5,886**	5,641
Accounts receivable from trade debtors	*20*	**87,145**	67,383
Deposits, prepayments and other receivables	*20*	**161,752**	78,670
Amounts due from fellow subsidiaries	*21*	**901**	4,164
Cash and cash equivalents	*22*	**338,359**	446,682
		594,043	602,540
Current liabilities			
Amounts due to trade creditors	*23*	**93,397**	85,426
Accrued expenses and other payables	*23*	**197,861**	210,215
Receipts in advance and customers' deposits	*23*	**205,638**	174,844
Current taxation	*29(a)*	**22**	1,791
Amounts due to fellow subsidiaries	*25*	**49,976**	28,234
Amount due to immediate holding company	*26*	**1,816**	1,816
		548,710	502,326
Net current assets		**45,333**	100,214
Total assets less current liabilities		**1,625,828**	1,818,363
Non-current liabilities			
Deferred tax liabilities	*29(b)*	**53,708**	63,076
Other non-current liabilities	*27*	**9,307**	8,398
		63,015	71,474
NET ASSETS		**1,562,813**	1,746,889
Capital and reserves	*28*		
Share capital		**2,011,512**	2,011,512
Reserves		**(448,699)**	(267,862)
Total equity attributable to equity shareholders of the Company		**1,562,813**	1,743,650
Non-controlling interests		**–**	3,239
TOTAL EQUITY		**1,562,813**	1,746,889

The notes on pages 35 to 79 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on March 12, 2012.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

Company Statement of Financial Position

At December 31, 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	*17*	**12**	12
Amounts due from subsidiaries	*18*	**7,710,257**	7,650,505
		7,710,269	7,650,517
Current assets			
Prepayments and other receivables	*20*	**95**	347
Amounts due from fellow subsidiaries	*21*	**222**	415
Cash and cash equivalents	*22*	**249,997**	355,360
		250,314	356,122
Current liabilities			
Accrued expenses and other payables	*23*	**2,861**	1,669
Amounts due to subsidiaries	*24*	**697,776**	510,512
Amounts due to fellow subsidiaries	*25*	**5,417**	4,643
		706,054	516,824
Net current liabilities		**(455,740)**	(160,702)
NET ASSETS		**7,254,529**	7,489,815
Capital and reserves	*28*		
Share capital		**2,011,512**	2,011,512
Reserves		**5,243,017**	5,478,303
TOTAL EQUITY		**7,254,529**	7,489,815

The notes on pages 35 to 79 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on March 12, 2012.

Stephen T H Ng
Chairman and Chief Executive Officer

William J H Kwan
Director and Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

		Attributable to equity shareholders of the Company											
	Note	**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
Group													
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 year		–	–	–	–	–	–	(267,366)	–	(267,366)	(267,366)	478	(266,888)
Other comprehensive income for the year		–	–	–	497	–	–	–	2,932	3,429	3,429	63	3,492
Total comprehensive income for the year		–	–	–	497	–	–	(267,366)	2,932	(263,937)	(263,937)	541	(263,396)
Transfer to special capital reserve	*28(c) (ii)*	–	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2010*		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
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 year		–	–	–	–	–	–	(179,832)	–	(179,832)	(179,832)	403	(179,429)
Other comprehensive income for the year		–	–	–	(1,005)	–	–	–	–	(1,005)	(1,005)	141	(864)
Total comprehensive income for the year		–	–	–	(1,005)	–	–	(179,832)	–	(180,837)	(180,837)	544	(180,293)
Transfer to special capital reserve	*28(c) (ii)*	–	–	19	–	–	–	(19)	–	–	–	–	–
Liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	–	(3,783)	(3,783)
Balance at December 31, 2011*		**2,011,512**	**4,838,365**	**13,963**	**3,650**	**7,722**	**–**	**(5,312,399)**	**–**	**(448,699)**	**1,562,813**	**–**	**1,562,813**

* *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 35 to 79 form part of these financial statements.

Statement of Changes in Equity

For the year ended December 31, 2011

		Reserves					
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Revenue reserve** HK$'000	**Other reserve** HK$'000	**Total reserves** HK$'000	**Total Equity** HK$'000
Company							
Balance at January 1, 2010	2,011,512	4,838,365	7,722	630,998	–	5,477,085	7,488,597
Profit for the year and total comprehensive income for the year	–	–	–	1,218	–	1,218	1,218
Balance at December 31, 2010	2,011,512	4,838,365	7,722	632,216	–	5,478,303	7,489,815
Balance at January 1, 2011	2,011,512	4,838,365	7,722	632,216	–	5,478,303	7,489,815
Loss for the year and total comprehensive income for the year	–	–	–	(235,286)	–	(235,286)	(235,286)
Balance at December 31, 2011	**2,011,512**	**4,838,365**	**7,722**	**396,930**	**–**	**5,243,017**	**7,254,529**

The notes on pages 35 to 79 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before taxation		**(183,231)**	(290,302)
Adjustments for:			
Finance costs, net		**1,389**	(319)
Interest income		**(826)**	(309)
Depreciation		**258,197**	253,778
Amortisation of programming library		**82,752**	88,724
Impairment losses on investment		**–**	1,649
Impairment losses on programming library		**4,785**	4,465
Impairment losses on property, plant and equipment		**2,173**	1,221
Net loss/(gain) on disposal of property, plant and equipment		**2,860**	(670)
Share of loss of associate		**–**	41,078
Gain on liquidation of a subsidiary		**(2,629)**	–
Operating profit before changes in working capital		**165,470**	99,315
(Increase)/decrease in inventories		**(465)**	758
Increase in accounts receivable from trade debtors		**(19,762)**	(11,641)
(Increase)/decrease in deposits, prepayments and other receivables		**(30,449)**	209,640
Decrease/(increase) in amounts due from fellow subsidiaries		**2,544**	(1,448)
Increase/(decrease) in amounts due to trade creditors		**24,138**	(22,469)
Decrease in accrued expenses and other payables		**(2,180)**	(30,456)
Increase in receipts in advance and customers' deposits		**31,698**	19,343
Increase/(decrease) in amounts due to fellow subsidiaries		**21,742**	(19,876)
Net change in amount due to immediate holding company		**–**	(56)
Cash generated from operations		**192,736**	243,110
Interest received		**760**	281
Overseas tax paid		**(315)**	(845)
Net cash generated from operating activities		**193,181**	242,546
Investing activities			
Purchase of property, plant and equipment		**(222,990)**	(240,432)
Additions to programming library		**(83,992)**	(89,157)
Proceeds from disposal of property, plant and equipment		**8,690**	2,692
Net cash used in investing activities		**(298,292)**	(326,897)
Financing activities			
Amount paid to non-controlling interests on the liquidation of a subsidiary		**(3,783)**	–
Dividends paid to equity shareholders of the Company		**(1)**	(2)
Net cash used in financing activities		**(3,784)**	(2)
Net decrease in cash and cash equivalents		**(108,895)**	(84,353)
Effect of foreign exchange rates changes		**572**	183
Cash and cash equivalents at January 1		**446,682**	530,852
Cash and cash equivalents at December 31	*22*	**338,359**	446,682

The notes on pages 35 to 79 form part of these financial statements.

Notes to the Financial Statements

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2011, comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale (see Note 1(s)) and derivative financial instruments (see Note 1(y)) are stated at their fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 36.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

1. Significant accounting policies *(continued)*

(c) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 1(u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(s)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(t)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 1(f) and (t)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(s)).

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see Note 1(t)).

1. Significant accounting policies *(continued)*

(e) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred are recognised in profit or loss when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(t)).

On disposal of a cash-generating unit, during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(t)). The cost of self-constructed items of property, plant and equipment includes the cost of materials, labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(o)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight line basis to write off the cost less their estimated residual value, if any, of the equipment required to support a fully operating network and cable television system at rates determined by the estimated useful lives of the assets ranging from 5 to 20 years, adjusted by the appropriate pre-maturity fraction during the pre-maturity period, which began with the first earned subscriber revenue on October 31, 1993 and was to continue until the earlier of the attainment of a predetermined subscriber level and December 31, 1996. The pre-maturity period ended on November 30, 1996, when the predetermined subscriber level was attained. Depreciation is calculated on a straight line basis to write off the costs, less the estimated residual value, if any, of other assets at rates determined by the estimated useful lives ranging from 2 to 40 years.

1. Significant accounting policies *(continued)*

(g) Property, plant and equipment and depreciation *(continued)*

The principal annual depreciation rates used are as follows:

Network, decoders, cable modems and television production systems	5% to 50%
Furniture, fixtures, other equipment and motor vehicles	10% to 33.33%
Buildings situated on leasehold land *	Higher of 2.5% or percentage to amortise the asset cost over the unexpired term of land leases
Leasehold improvements	8.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Under certain circumstances, the Group may have an obligation to dismantle part of its network upon request by concerned parties. Owing to the absence of such history, no reliable estimate can be reasonably made in respect of such potential obligation.

* This represents units in industrial and commercial buildings which the Directors consider impracticable to split the cost into land and buildings.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(t). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

1. Significant accounting policies *(continued)*

(i) Programming costs

(i) Programming library

Programming library consists of presentation rights for commissioned programmes and acquired programmes for showing on the Group's television channels, and commissioned programmes and films for licensing purposes.

Presentation rights are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(t)). Amortisation is charged to profit or loss on an accelerated basis over the licence period or over the estimated number of future showings. Subsequent expenditure on programmes after initial acquisition is recognised as an expense when incurred.

Commissioned programmes and films for licensing purposes comprise direct production costs and production overheads, and are stated at the lower of amortised cost or net realisable value. Costs are amortised on an individual programme/film basis in the ratio of the current year's gross revenues to management's forecast of the total ultimate gross revenues from all sources.

(ii) Live programmes

Live programmes consist of third party feed programmes and are charged to profit or loss upon telecast of the programmes. Payments made in advance or in arrears of programme cost recognition are recorded as prepayments or accruals, as appropriate.

(iii) In-house developed programmes

In-house developed programmes consist primarily of news, documentary and general entertainment programmes with short lead-time from production to telecast. The costs of in-house developed programmes are accordingly recognised as expenses in the period in which they are incurred.

(iv) Film rights and perpetual film rights

Film rights generated by the Group or perpetual film rights acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see Note 1(t)). Costs represent the carrying value transferred from films in progress upon completion or the purchase price of the perpetual film rights, and are amortised at rates calculated to write off the costs in proportion to the estimated revenues from exhibition, the reproduction and distribution of audio visual products, the licensing of video rights and other broadcast rights following their release. Such rates are subject to annual review by the Directors.

(v) Films in progress

Films in progress are stated at cost less impairment losses (see Note 1(t)). Costs include all direct costs associated with the production of films. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

(j) Other intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

1. Significant accounting policies *(continued)*

(j) Other intangible assets (other than goodwill) *(continued)*

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Club debentures

The Group's club debentures are stated in the statement of consolidated financial position at cost less impairment losses (see Note 1(t)), on an individual basis.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined by the Group based on the expected replacement cost of the inventories net of provision for obsolescence.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(t)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised in profit or loss provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably as follows:

(i) Income from the provision of subscription Television services, Internet access services, and Internet Protocol Point wholesale services is recognised at the time when the services are provided.

(ii) Installation fees are recognised upon completion of the related installation work to the extent of direct selling costs.

(iii) Where packaged service fees comprise a number of elements and the fees can be allocated on a reasonable basis into elements of subscription service and installation service, revenue is recognised in accordance with the accounting policies set out in Notes 1(n)(i) and (ii). Where packaged service fees cannot be allocated into individual elements, the fees are deferred and recognised evenly over the term of the service period.

(iv) Advertising income net of agency deductions is recognised on telecast of the advertisement. When an advertising contract covers a specified period, the related income is recognised evenly over the contract period.

(v) Revenue from theatrical distribution is recognised when the films are exhibited.

1. Significant accounting policies *(continued)*

(n) Revenue recognition *(continued)*

(vi) Revenue from distribution of films is recognised upon delivery of the master tapes to the customers.

(vii) Income from licensing of TV rights is recognised in full upon delivery of the programmes concerned in accordance with the terms of the licence contracts and is stated net of withholding tax.

(viii) Magazine advertising income is recognised upon the publication of the edition in which the advertisement is placed.

(ix) Sales of magazines are recognised when the magazines are delivered and the title has passed.

(x) Income from network maintenance and operation is recognised at the time when services are provided.

(xi) Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as integral part of the aggregate net lease payments receivables. Contingent rentals are recognised as income in the accounting period in which they are earned.

(xii) Dividend income from investments in equity securities is recognised when the shareholder's right to receive payment is established.

(xiii) Interest income is recognised as it accrues using the effective interest method.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. Significant accounting policies *(continued)*

(p) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. Significant accounting policies *(continued)*

(q) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after January 1, 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before January 1, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (i).
- A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1. Significant accounting policies *(continued)*

(s) Investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(t)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 1(n)(xii), and where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 1(n)(xiii). When these investments are derecognised or impaired (see Note 1(t)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(t) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries and associates (including those recognised using the equity method (see Note 1(d))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(t)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(t)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1. Significant accounting policies *(continued)*

(t) Impairment of assets *(continued)*

(i) Impairment of investments in equity securities and other receivables *(continued)*

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— programming library (including film rights, perpetual film rights and films in progress);

— other intangible assets; and

— goodwill.

1. Significant accounting policies *(continued)*

(t) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 1(t)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. Significant accounting policies *(continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisiation where appropriate, and the amount that would be determined in accordance with Note 1(w)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 1(w)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies *(continued)*

(x) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group, except to the extent that they are included in the cost of property, plant and equipment and programming library not yet recognised as an expense.

(y) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see Note 1(z)).

(z) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(ii) Hedge of net investments in foreign operations

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to 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)

— HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of other developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosure about the Group's financial instruments in Note 30 has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. Turnover

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

Turnover comprises principally subscription, service and related fees for Television and Internet (including Telephony) services. It 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.

The Group's customer base is diversified and no single customer with whom transactions have exceeded 10% of the Group's revenues. The Group has no significant concentrations of credit risk from customers.

4. 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, Television relay service, programme licensing, network maintenance, and miscellaneous Television related businesses.

The Internet and Multimedia segment includes operations related to Broadband Internet access services, portal operation, mobile content licensing, Voice Over Internet Protocol telephony services as well as other Internet access related businesses.

4. Segment information *(continued)*

Management evaluates performance primarily based on earnings before interest, taxation, depreciation and amortisation ("EBITDA") and earnings before interest and taxation ("EBIT"). EBITDA has been introduced as part of reportable segment results in the current year. Comparative figures of reportable segment results have been adjusted to conform to current year's segment presentation. Management defines EBITDA to mean earnings before interest income, finance costs, impairment losses on investment, non-operating income/expenses, provision for income tax, depreciation of property, plant and equipment but after amortisation of programming rights.

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

Segment assets principally comprise all tangible assets, intangible assets and current assets with the exception of interest in associate, investments in equity securities and deferred tax assets. Segment liabilities include all liabilities and borrowings directly attributable to and managed by each segment with the exception of current taxation and deferred tax liabilities.

In addition to receiving segment information concerning EBITDA and EBIT, management is provided with segment information concerning revenue (including inter-segment revenue).

Information regarding the Group's reportable segments as provided to the Group's senior management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2011 and 2010 is set out below:

Business segments

	Television		Internet and Multimedia		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,737,460**	1,550,230	**338,825**	415,686	**33,273**	36,139	**2,109,558**	2,002,055
Inter-segment revenue	**11,331**	10,904	**1,072**	16,933	**7,110**	2,266	**19,513**	30,103
Reportable segment revenue	**1,748,791**	1,561,134	**339,897**	432,619	**40,383**	38,405	**2,129,071**	2,032,158
Reportable segment results ("EBITDA")	**68,816**	(63,608)	**126,561**	184,146	**(115,771)**	(114,928)	**79,606**	5,610
Reportable segment results ("EBIT")	**(94,658)**	(221,840)	**38,983**	96,375	**(122,916)**	(122,703)	**(178,591)**	(248,168)
Inter-segment elimination							**(1,217)**	(705)
Loss from operations							**(179,808)**	(248,873)
Interest income							**826**	309
Finance costs, net							**(1,389)**	319
Impairment losses on investment							**–**	(1,649)
Non-operating (expenses)/ income							**(2,860)**	670
Share of loss of associate							**–**	(41,078)
Income tax							**3,802**	23,414
Loss for the year							**(179,429)**	(266,888)

4. Segment information *(continued)*

	Segment assets 2011 HK$'000	2010 HK$'000
Television	**1,051,154**	1,051,955
Internet and Multimedia	**419,707**	420,502
Unallocated assets	**366,553**	504,004
	1,837,414	1,976,461
Interest in associate	**–**	–
Deferred tax assets	**336,041**	343,145
Investments in equity securities	**1,083**	1,083
	2,174,538	2,320,689

	Segment liabilities 2011 HK$'000	2010 HK$'000
Television	**341,639**	341,842
Internet and Multimedia	**102,197**	87,237
Unallocated liabilities	**114,159**	79,854
	557,995	508,933
Current taxation	**22**	1,791
Deferred tax liabilities	**53,708**	63,076
	611,725	573,800

Geographical segments

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

5. Loss before taxation

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

	2011 HK$'000	2010 HK$'000
Interest income		
Interest income from deposits with banks and other financial institutions	**(779)**	(228)
Other interest income	**(47)**	(81)
	(826)	(309)
Finance costs, net		
Net loss/(gain) on forward exchange contract	**1,389**	(319)
Other items		
Depreciation		
— assets held for use under operating leases	**39,102**	20,261
— other assets	**219,095**	233,517
Amortisation of programming library*	**82,752**	88,724
Impairment losses		
— trade and other receivables	**4,657**	5,924
— property, plant and equipment	**2,173**	1,221
— programming library	**4,785**	4,465
— investments in equity securities	**–**	1,649
Reversal of impairment losses on trade and other receivables	**(1,282)**	(1,429)
Cost of inventories	**15,318**	12,923
Rentals payable under operating leases in respect of land and buildings	**61,139**	59,875
Contributions to defined contribution retirement plans	**32,886**	32,636
Auditor's remuneration – audit service		
— charge for the year	**2,719**	2,488
— under-provision in respect of prior years	**187**	52
Net foreign exchange gain **	**(4,488)**	(1,981)
Rentals receivable under operating leases in respect of		
— subleased land and buildings	**(6,796)**	(6,755)
— owned plant and machinery	**(14,937)**	(20,571)
Net loss/(gain) on disposal of property, plant and equipment	**2,860**	(670)

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

** *Net foreign exchange gain of approximately HK$382,000 and HK$4,106,000 are included within programming costs and selling, general and administrative and other operating expenses in the consolidated results of the Group, respectively.*

5. Loss before taxation *(continued)*

Operating expenses are analysed by nature in compliance with HKAS 1, *Presentation of Financial Statements* as follows:

	2011 HK$'000	2010 HK$'000
Depreciation and amortisation	**340,949**	342,502
Staff costs	**708,431**	711,796
Other operating expenses	**1,239,986**	1,196,630
Total operating costs	**2,289,366**	2,250,928

6. Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2011 HK$'000	2010 HK$'000
Current tax – Overseas		
Tax for the year	**234**	468
Over-provision in respect of prior years	**(1,772)**	–
	(1,538)	468
Deferred tax		
Utilisation of prior years' tax losses recognised	**22,971**	3,169
Benefit of previously unrecognised tax losses now recognised	**(15,800)**	(22,573)
Reversal of temporary differences	**(9,435)**	(4,478)
	(2,264)	(23,882)
Income tax	**(3,802)**	(23,414)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 %	2010 %
Statutory income tax rate	**(16.5)**	(16.5)
Tax effect of non-deductible expenses	**16.3**	9.6
Tax effect of non-taxable revenue	**(0.2)**	(0.2)
Tax effect of unused tax losses not recognised	**7.9**	6.8
Tax effect of previously tax losses now recognised	**(8.6)**	(7.8)
Over-provision in prior years	**(1.0)**	–
Effective income tax rate	**(2.1)**	(8.1)

7. Directors' emoluments

Details of Directors' emoluments are as follows:

Name of Directors	Directors' fees	Basic salaries, housing and other allowances, and benefits in kind	Retirement scheme contributions	Discretionary bonuses and/or performance related bonuses	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Independent Non-executive Directors:					
T K Ho	**80**	**–**	**–**	**–**	**80**
Roger K H Luk	**60**	**–**	**–**	**–**	**60**
Anthony K K Yeung	**80**	**–**	**–**	**–**	**80**
Patrick Y W Wu	**80**	**–**	**–**	**–**	**80**
Non-executive Director:					
Paul Y C Tsui	**60**	**–**	**–**	**–**	**60**
Executive Directors:					
Stephen T H Ng	**60**	**1,908**	**117**	**4,000**	**6,085**
William J H Kwan	**60**	**1,800**	**180**	**870**	**2,910**
Total for 2011	**480**	**3,708**	**297**	**4,870**	**9,355**
2010					
Independent Non-executive Directors:					
T K Ho	80	–	–	–	80
Roger K H Luk	18	–	–	–	18
Anthony K K Yeung	80	–	–	–	80
Patrick Y W Wu	80	–	–	–	80
Non-executive Director:					
Paul Y C Tsui	60	–	–	–	60
Executive Directors:					
Stephen T H Ng	60	1,859	111	3,600	5,630
William J H Kwan	60	1,678	168	780	2,686
Total for 2010	438	3,537	279	4,380	8,634

There were no compensation for loss of office and/or inducement for joining the Group paid/payable to the Company's Directors in respect of the years ended December 31, 2011 and December 31, 2010.

Except Directors' fees of HK$480,000 (2010: HK$438,000), certain Directors' emoluments disclosed above were paid directly by the Company's intermediate holding company, The Wharf (Holdings) Limited ("Wharf"), (or its wholly owned subsidiaries) to the relevant Directors. Wharf recovered such costs from the Group by charging a management fee (see Note 35(iv)).

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2010: two) are Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2010: three) individuals are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing and other allowances, and benefits in kind	**5,688**	5,453
Retirement scheme contributions	**504**	414
Discretionary bonuses and/or performance related bonuses	**2,470**	2,450
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	8,662	8,317

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

HK$	**2011** **Number of individuals**	2010 Number of individuals
2,000,001 - 2,500,000	**1**	–
2,500,001 - 3,000,000	**1**	3
3,000,001 - 3,500,000	**1**	–
	3	3

9. (Loss)/profit attributable to equity shareholders of the Company

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$235,286,000 (2010: profit of HK$1,218,000) which has been dealt with in the financial statements of the Company.

	2011 **HK$'000**	2010 HK$'000
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(235,286)**	1,218
Company's (loss)/profit for the year	**(235,286)**	1,218

10. Other comprehensive income

Reclassification adjustments relating to components of other comprehensive income

	2011 HK$'000	2010 HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the year	**–**	(1,649)
Reclassification adjustment for amounts transferred to profit or loss:		
— impairment losses	**–**	1,649
Net movement in the fair value reserve during the year recognised in other comprehensive income	**–**	–
Share of post-acquisition reserve of associate:		
Share of reserve movement of associate	**–**	–
Reclassification adjustment for amounts transferred to profit or loss:		
— share of loss of associate	**–**	2,932
Net movement in the share of post-acquisition reserve of associate during the year recognised in other comprehensive income	**–**	2,932
Exchange reserve:		
Exchange difference on translation of foreign subsidiaries' financial statements	**1,765**	560
Reclassification adjustment for amounts transferred to profit or loss:		
— liquidation of a subsidiary	**(2,629)**	–
Net movement in the exchange reserve during the year recognised in other comprehensive income	**(864)**	560

11. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$179,832,000 (2010: HK$267,366,000) and the weighted average number of ordinary shares outstanding during the year of 2,011,512,400 (2010: 2,011,512,400).

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$179,832,000 (2010: HK$267,366,000) and the weighted average number of ordinary shares of 2,011,512,400 (2010: 2,011,512,400) after adjusting for the effects of all dilutive potential ordinary shares.

12. Property, plant and equipment

	Group						
	Network, decoders, cable modems and television production systems	Furniture, fixtures, other equipment and motor vehicles	Leasehold land and buildings in Hong Kong and PRC: Long leases	Medium leases	Short leases	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At January 1, 2010	5,375,748	661,271	11,425	44,740	70	321,677	6,414,931
Additions	226,375	17,612	–	–	–	6,592	250,579
Disposals	(146,399)	(5,464)	–	–	–	(1,995)	(153,858)
Reclassification to inventories	(1,242)	–	–	–	–	–	(1,242)
Exchange reserve	2	370	–	497	–	142	1,011
At December 31, 2010	5,454,484	673,789	11,425	45,237	70	326,416	6,511,421
At January 1, 2011	5,454,484	673,789	11,425	45,237	70	326,416	6,511,421
Additions	178,817	16,884	–	–	–	3,607	199,308
Disposals	(71,437)	(14,729)	–	–	–	(3,397)	(89,563)
Reclassification to inventories	(939)	–	–	–	–	–	(939)
Exchange reserve	5	1,092	–	1,476	–	420	2,993
At December 31, 2011	**5,560,930**	**677,036**	**11,425**	**46,713**	**70**	**327,046**	**6,623,220**
Accumulated depreciation							
At January 1, 2010	4,400,934	588,629	2,380	4,625	70	265,036	5,261,674
Charge for the year	210,979	29,616	280	1,493	–	11,410	253,778
Impairment loss	1,221	–	–	–	–	–	1,221
Written back on disposals	(144,673)	(5,402)	–	–	–	(1,761)	(151,836)
Reclassification to inventories	(258)	–	–	–	–	–	(258)
Exchange reserve	2	319	–	63	–	36	420
At December 31, 2010	4,468,205	613,162	2,660	6,181	70	274,721	5,364,999
At January 1, 2011	4,468,205	613,162	2,660	6,181	70	274,721	5,364,999
Charge for the year	220,502	25,677	280	1,543	–	10,195	258,197
Impairment loss	2,173	–	–	–	–	–	2,173
Written back on disposals	(60,986)	(14,639)	–	–	–	(2,388)	(78,013)
Reclassification to inventories	(318)	–	–	–	–	–	(318)
Exchange reserve	5	1,003	–	234	–	134	1,376
At December 31, 2011	**4,629,581**	**625,203**	**2,940**	**7,958**	**70**	**282,662**	**5,548,414**
Net book value							
At December 31, 2011	**931,349**	**51,833**	**8,485**	**38,755**	**–**	**44,384**	**1,074,806**
At December 31, 2010	986,279	60,627	8,765	39,056	–	51,695	1,146,422

12. Property, plant and equipment *(continued)*

Impairment loss results from loss recognised on abandonment of lost or damaged property, plant and equipment. In 2011, of the total impairment loss of HK$2,173,000 (2010: HK$1,221,000) was made for decoders and cable modems which had become obsolete during normal usage or were leased to subscribers in the ordinary course of the Television subscription and Broadband Internet access business, and had not been returned after the services were terminated.

The estimated useful lives of certain Standard-definition ("SD") set-top-boxes are affected by the fastest growing High-definition ("HD") technology and services. During the year of 2011, the Group revised the estimated useful lives of SD set-top-boxes. This change in accounting estimates reflects the Group's best estimates of the remaining useful lives of the SD set-top-boxes. The change in useful lives has increased the depreciation charge for the year by approximately HK$15,810,000 and will decrease the depreciation charge for the year ended 31 December 2012 by approximately HK$3,546,000. This change in estimates does not have any effect on the total depreciation expenses of those SD set-top-boxes during the SD set-top-boxes' lives as the effect of such change represents a timing difference.

As at December 31, 2011, the gross carrying amounts of property, plant and equipment of the Group held for use in operating leases were HK$228,463,000 (2010: HK$212,920,000) and the related accumulated depreciation was HK$112,739,000 (2010: HK$85,409,000).

13. Programming library

	Group		
	Internally developed HK$'000	**Acquired** HK$'000	**Total** HK$'000
Cost			
At January 1, 2010	71,970	487,287	559,257
Additions	–	92,982	92,982
Written off	(1,993)	(99,125)	(101,118)
At December 31, 2010	69,977	481,144	551,121
At January 1, 2011	69,977	481,144	551,121
Additions	–	80,766	80,766
Written off	–	(104,096)	(104,096)
At December 31, 2011	**69,977**	**457,814**	**527,791**
Accumulated amortisation			
At January 1, 2010	67,267	378,196	445,463
Charge for the year	2,760	85,964	88,724
Impairment loss	1,445	3,020	4,465
Written off	(1,993)	(99,125)	(101,118)
At December 31, 2010	69,479	368,055	437,534
At January 1, 2011	69,479	368,055	437,534
Charge for the year	498	82,254	82,752
Impairment loss	–	4,785	4,785
Written off	–	(104,096)	(104,096)
At December 31, 2011	**69,977**	**350,998**	**420,975**
Net book value			
At December 31, 2011	**–**	**106,816**	**106,816**
At December 31, 2010	498	113,089	113,587

The management of the Group undertook a review of its programming library to assess the recoverability of film rights. As a result of the assessment, an impairment loss of HK$4,785,000 (2010: HK$4,465,000) was made.

14. Other intangible assets

	Group
	Club debentures
	HK$'000
Cost	
At January 1, 2010, December 31, 2010, January 1, 2011 and December 31, 2011	4,006
Accumulated amortisation	
At January 1, 2010, December 31, 2010, January 1, 2011 and December 31, 2011	–
Net book value	
At December 31, 2011	**4,006**
At December 31, 2010	4,006

15. Interest in associate

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**–**	–

Details of the Group's interest in associate are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up capital	Proportion of ownership interest
FRM Film InvestCo LLC ("FRM") (Formerly known as TWC Asian Film InvestCo LLC ("TWC"))	Incorporated	State of Delaware, USA	Investment holding	Capital contribution US$25,000,000	30%

In respect of the year ended December 31, 2011, the Group has not taken into account the effect of transactions or events of the associate as the associate was inactive during the current year. Since the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to HK$Nil (2010: HK$Nil) and no recognition of future losses as the Group has no legal or constructive obligation in respect of such losses.

16. Other non-current assets

	Group 2011 HK$'000	2010 HK$'000
Unlisted equity securities, at cost less impairment losses	**1,083**	1,083
Available-for-sale equity securities	**–**	–
Inventories	**6,053**	5,210
Deposits, prepayments and other receivables	**39,533**	93,258
Amounts due from fellow subsidiaries	**12,157**	11,438
	58,826	110,989

As at December 31, 2010, the Group's available-for-sale equity securities were assessed individually to determine for impairment on the basis of change in circumstances which indicated that the cost of the Group's investments in them may not be recovered. Impairment losses on these investments were recognised in profit or loss in accordance with the policy set out in Note 1(t)(i).

17. Investments in subsidiaries

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**12**	12

17. Investments in subsidiaries *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Indirectly
Apex Victory Limited	British Virgin Islands	Programme licensing	500 ordinary shares of US$1 each	100	–
Cable Network Communications Limited	Hong Kong	Investment holding	100 ordinary shares of HK$1 each	100	–
			2 non-voting deferred shares of HK$1 each	–	–
Hong Kong Cable Enterprises Limited	Hong Kong	Advertising airtime and programme licensing	2 ordinary shares of HK$1 each	–	100
Hong Kong Cable News Express Limited	Hong Kong	Advertising airtime	2 ordinary shares of HK$10 each	–	100
Hong Kong Cable Television Limited	Hong Kong	Television and internet and multimedia	750,000,000 ordinary shares of HK$1 each	–	100
i-CABLE Entertainment Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	–	100
i-CABLE Network Limited	Hong Kong	Network operation	100 ordinary shares of HK$1 each	–	100
			2 non-voting deferred shares of HK$1 each	–	–
i-CABLE News Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	–	100
i-CABLE Sports Limited	Hong Kong	Programme production and channel operation	10,000,000 ordinary shares of HK$1 each	–	100
i-CABLE Network Operations Limited	Hong Kong	Network operation	500,000 ordinary shares of HK$1 each	–	100
i-CABLE Telecom Limited	Hong Kong	Telephony	1 ordinary share of HK$1	–	100
Rediffusion Satellite Services Limited	Hong Kong	Satellite television systems	1,000 ordinary shares of HK$10 each	–	100

17. Investments in subsidiaries *(continued)*

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued capital, all fully paid	Proportion of ownership interest Directly	Indirectly
Sundream Motion Pictures Limited	Hong Kong	Film production	300,000,000 ordinary shares of HK$1 each	–	100
廣州市寬訊技術服務有限公司 *	The People's Republic of China	Technical services	HK$34,600,000	–	100

* *This entity is registered as a wholly foreign owned enterprise under PRC law and is not audited by KPMG.*

18. Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment, and are arisen in the ordinary course of business.

19. Inventories

	Group 2011 HK$'000	2010 HK$'000
Spare parts and consumables	**5,886**	5,641

20. Trade and other receivables

Trade and other receivables comprise:

	Group 2011 HK$'000	2010 HK$'000	Company 2011 HK$'000	2010 HK$'000
Accounts receivable from trade debtors	**87,145**	67,383	**–**	–
Deposits, prepayments and other receivables	**161,752**	78,670	**95**	347
	248,897	146,053	**95**	347

20. Trade and other receivables *(continued)*

(a) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	Group 2011 HK$'000	2010 HK$'000
0 to 30 days	**24,106**	17,532
31 to 60 days	**22,337**	17,966
61 to 90 days	**18,861**	14,116
Over 90 days	**21,841**	17,769
	87,145	67,383

The Group's credit policy is set out in Note 30(a).

(b) Impairment losses in respect of accounts receivable from trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable from trade debtors directly (see Note 1(t)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group 2011 HK$'000	2010 HK$'000
Balance at beginning of year	**11,090**	11,049
Impairment loss for the year	**4,657**	5,447
Reversal of impairment losses in prior year	**(1,282)**	(429)
Written off	**(6,121)**	(4,992)
Exchange difference	**38**	15
Balance at end of year	**8,382**	11,090

(c) (i) 13% (2010: 15%) of the gross trade receivables relate to the Television and Internet and Multimedia access subscription businesses. There is no significant concentration of credit risk with respect to these trade receivables as the customer bases are widely dispersed in different sectors. The Group has given a credit term of 30 days to these customers. Impairment losses in respect of receivables arising from these subscription businesses are recognised once the receivable is more than 90 days overdue.

(ii) The ageing analysis of accounts receivable from trade debtors from advertising and distribution businesses that are neither individually nor collectively considered to be impaired are as follows:

	Group 2011 HK$'000	2010 HK$'000
Not yet due	**8,646**	1,585
Less than 1 month past due	**23,406**	15,819
1 to 3 months past due	**30,409**	23,617
3 to 6 months past due	**9,179**	7,814
Over 6 months past due	**373**	856
	63,367	48,106
	72,013	49,691

20. Trade and other receivables *(continued)*

Receivables that were not impaired relate to accounts receivables from advertising and programme distribution businesses that the Group had continuing business relationship and have a good track record with the Group. Impairment losses are recognised based on the credit history of the customers, and are made on balances overdue for a period of 90 to 270 days. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21. Amounts due from fellow subsidiaries

The amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand, and are arisen in the ordinary course of business (see Note 35).

22. Cash and cash equivalents

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**50,000**	170,182	**50,000**	170,182
Cash at bank and in hand	**288,359**	276,500	**199,997**	185,178
	338,359	446,682	**249,997**	355,360

23. Trade and other payables

Trade and other payables comprise:

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to trade creditors	**93,397**	85,426	**–**	–
Accrued expenses and other payables	**197,861**	210,215	**2,861**	1,669
Receipts in advance and customers' deposits	**205,638**	174,844	**–**	–
	496,896	470,485	**2,861**	1,669

23. Trade and other payables *(continued)*

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

	Group 2011 HK$'000	2010 HK$'000
0 to 30 days	**14,999**	9,102
31 to 60 days	**24,271**	13,842
61 to 90 days	**21,504**	15,862
Over 90 days	**32,623**	46,620
	93,397	85,426

24. Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment, and are arisen in the ordinary course of business.

25. Amounts due to fellow subsidiaries

The amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand, and are arisen in the ordinary course of business (see Note 35).

26. Amount due to immediate holding company

The amount due to immediate holding company is unsecured, interest free and has no fixed terms of repayment, and is arisen in the ordinary course of business (see Note 35).

27. Other non-current liabilities

	Group 2011 HK$'000	2010 HK$'000
Accrued expenses and other payables	**8,068**	8,068
Receipts in advance and customers' deposits	**1,239**	330
	9,307	8,398

28. Capital, reserves and dividends

(a) Dividend

The Board of Directors of the Company does not recommend the payment of any dividend for the year ended December 31, 2011 (2010: HK$Nil).

(b) Authorised and issued share capital

	2011 No. of shares ('000)	**2011** HK$'000	2010 No. of shares ('000)	2010 HK$'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	**2,011,512**	**2,011,512**	2,011,512	2,011,512
Shares repurchased and cancelled	**–**	**–**	–	–
At December 31	**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.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve account is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Special capital reserve

The special capital reserve is non-distributable and it should be applied for the same purpose as the share premium account. In 2004, the issued share capital of a subsidiary under the Group was reduced ("Capital Reduction") and the credit arising from the Capital Reduction was applied to eliminate the accumulated losses standing in the income statement of that subsidiary as at September 30, 2004.

An undertaking was given to the Court by the subsidiary in connection with the Capital Reduction (the "Undertaking"). Pursuant to the Undertaking, any future recoveries or reversals of provisions in respect of: 1) assets owned or held under finance and operating leases against which charges to depreciation were made as at September 30, 2004; and 2) provisions made by the subsidiary in respect of certain assets held by the subsidiary as at September 30, 2004; collectively the relevant assets ("relevant assets") to the extent that such recoveries exceed the written down amounts of the relevant assets, up to an aggregate amount of HK$1,958,524,266, will be credited to a special capital reserve. While any debt or liability of, or claim against, the subsidiary at the date of the Capital Reduction remains outstanding and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits. The subsidiary shall be at liberty to apply the special capital reserve for the same purposes as a share premium account may be applied.

28. Capital, reserves and dividends *(continued)*

(c) Nature and purpose of reserves *(continued)*

(ii) Special capital reserve *(continued)*

The amount to be credited to the special capital reserve is subject to a limit ("Limit"), which was HK$1,958,524,266 as at the date of the capital reduction. The Limit may be reduced by the amount of any increase in the issued share capital or in the share premium account of the subsidiary resulting from an issue of shares for cash or other consideration or upon a capitalisation of distributable reserves. The subsidiary shall be at liberty to transfer the amount so reduced to the general reserves of the subsidiary and the same shall become available for distribution. The Limit may also be reduced after the disposal or other realisation of any of the relevant assets by the amount of the charge to depreciation or provision made in relation to such asset as at September 30, 2004 less such amount as is credited to the special capital reserve as a result of such disposal or realisation.

In the event that the amount standing to the credit of the special capital reserve exceeds the Limit, the subsidiary shall be at liberty to transfer the amount of any such excess to the general reserves of the subsidiary, which shall become available for distribution.

As at December 31, 2011, the Limit of the special capital reserve, as reduced by HK$3,390,683 (2010: HK$1,972,868) related to recoveries and reversals of provisions of the relevant assets, was HK$889,188,111 (2010: HK$892,578,794), and the amount standing to the credit of the special capital reserve was HK$13,963,125 (2010: HK$13,944,383).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(q).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in Notes 1(s) and (t).

(v) Other reserve

The other reserve comprises the share of an associate's reserve of the Group as at December 31, 2009.

(vi) Distributability of reserves

At December 31, 2011, reserves of the Company available for distribution to equity shareholders of the Company amounted to HK$396,930,000 (2010: revenue reserve HK$632,216,000).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to support the Group's stability and growth, by pricing products and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is debt-free and no changes were made in the objectives, policies or processes during the years ended December 31, 2011 and December 31, 2010.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29. Income tax in the consolidated statement of financial position

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

	Group 2011 HK$'000	2010 HK$'000
Overseas taxation	**22**	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 year are as follows:

	Group		
Deferred tax arising from:	**Depreciation allowances in excess of related depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2010	95,022	(351,209)	(256,187)
Credited to profit or loss (Note 6(a))	(4,478)	(19,404)	(23,882)
At December 31, 2010	90,544	(370,613)	(280,069)
At January 1, 2011	**90,544**	**(370,613)**	**(280,069)**
(Credited)/charged to profit or loss (Note 6(a))	**(9,435)**	**7,171**	**(2,264)**
At December 31, 2011	**81,109**	**(363,442)**	**(282,333)**

	Group 2011 HK$'000	2010 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(336,041)**	(343,145)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**53,708**	63,076
	(282,333)	(280,069)

(c) Deferred tax assets not recognised:

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

	Group 2011 HK$'000	2010 HK$'000
Future benefit of tax losses	**362,375**	399,807
Impairment loss for bad and doubtful accounts	**63**	69
	362,438	399,876

30. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's businesses. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a defined credit policy in place with general credit terms ranging from 0 to 90 days. The exposure to credit risks is monitored on an ongoing basis. The Group has no significant concentrations of credit risk from customers. Subscription revenue from customers is settled mainly in cash or via major credit cards.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group's objective is to maintain a balance between the continuity of funding and the flexibility through use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

The following table show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

	Group							
	2011				2010			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total contractual undiscounted cash flow**	**Carrying amount in the consolidated statement of financial position**	Within 1 year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flow	Carrying amount in the consolidated statement of financial position
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due to trade creditors	**93,397**	**–**	**93,397**	**93,397**	85,426	–	85,426	85,426
Accrued expenses and other payables	**197,861**	**8,068**	**205,929**	**205,929**	210,215	8,068	218,283	218,283
Receipts in advance and customers' deposits	**205,638**	**1,239**	**206,877**	**206,877**	174,844	330	175,174	175,174
Amounts due to fellow subsidiaries	**49,976**	**–**	**49,976**	**49,976**	28,234	–	28,234	28,234
Amount due to immediate holding company	**1,816**	**–**	**1,816**	**1,816**	1,816	–	1,816	1,816
	548,688	**9,307**	**557,995**	**557,995**	500,535	8,398	508,933	508,933

30. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

	Group					
	2011			2010		
	Contractual undiscounted cash outflow/(inflow)			Contractual undiscounted cash outflow/(inflow)		
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total contractual undiscounted cash flow**	Within 1 year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flow
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Derivatives settled gross:						
Forward exchange contracts at fair value through profit or loss						
— Outflow	**27,339**	**–**	**–**	23,058	–	–
— Inflow	**(26,130)**	**–**	**–**	(23,377)	–	–

Note: *Forward exchange contracts were remeasured to fair values at the end of each reporting period. The negative fair value of forward exchange contracts at December 31, 2011 were HK$1,200,000.*

	Company							
	2011				2010			
	Contractual undiscounted cash outflow				Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total contractual undiscounted cash flow**	**Carrying amount in the Company statement of financial position**	Within 1 year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flow	Carrying amount in the Company statement of financial position
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Accrued expenses and other payables	**2,861**	**–**	**2,861**	**2,861**	1,669	–	1,669	1,669
	2,861	**–**	**2,861**	**2,861**	1,669	–	1,669	1,669
Financial guarantees issued: Maximum amount guaranteed (Note 34)	**–**	**–**	**–**	**–**	2,000	–	2,000	–

30. Financial risk management and fair values *(continued)*

(b) Liquidity risk *(continued)*

	Company					
	2011			2010		
	Contractual undiscounted cash outflow/(inflow)			Contractual undiscounted cash outflow/(inflow)		
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total contractual undiscounted cash flow**	Within 1 year or on demand	More than 1 year but less than 2 years	Total contractual undiscounted cash flow
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Derivative settled gross:						
Forward exchange contracts at fair value through profit or loss						
— Outflow	**27,339**	**–**	**–**	23,058	–	–
— Inflow	**(26,130)**	**–**	**–**	(23,377)	–	–

(c) Interest rate risk

At December 31, 2011, the Group had short-term deposits with bank and other financial institutions amounting to HK$50,000,000 (2010: HK$170,182,000), with original maturities of 7 to 31 days at market interest rates. Apart from the foregoing, the Group has no other significant income-generating financial assets or interest-bearing financial liabilities. The Group's revenue, expenses and cash flows are substantially independent of changes in market interest rates.

Effective interest rates and repricing analysis

In respect of income-earning financial assets, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice:

	Group				Company			
Interest rate risk	**One year or less Total**		**Effective interest rate**		**One year or less Total**		**Effective interest rate**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**%**	%	**HK$'000**	HK$'000	**%**	%
Floating rate:								
Cash and cash equivalents	**288,359**	276,500	**0.02**	0.04	**199,997**	185,178	**–**	–
Fixed rate:								
Cash and cash equivalents	**50,000**	170,182	**1.25**	0.53	**50,000**	170,182	**1.25**	0.53

At December 31, 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and increase/decrease the revenue reserve by approximately HK$3,384,000 (2010: HK$4,467,000).

30. Financial risk management and fair values *(continued)*

(c) Interest rate risk *(continued)*

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and revenue reserve) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and revenue reserve) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Currency risk

(i) Forecast transactions

The Group is exposed to currency risk primarily through programmes acquisition activities whereby a substantial portion of our programming costs on overseas content is settled in United States dollars. In view of the continued support from the Hong Kong SAR Government to maintain the peg of the Hong Kong dollar to the United States dollar, management does not expect that there will be any significant currency risk associated with programming cost commitments denominated in United States dollars.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables denominated in foreign currencies, the Group manages the net exposure by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forward exchange contract, forecast transactions and recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate.

	Group					
	2011			2010		
	Renminbi '000	**Euros '000**	**United States Dollars '000**	Renminbi '000	Euros '000	United States Dollars '000
Trade and other receivables	**36**	**6**	**20,814**	36	56	13,579
Cash and cash equivalents	**3,667**	**22**	**1,893**	14,761	33	2,417
Trade and other payables	**(868)**	**(7)**	**(5,083)**	(1,516)	–	(6,429)
Exposure arising from recognised assets and liabilities	**2,835**	**21**	**17,624**	13,281	89	9,567
Highly probable forecast purchases	**–**	**(2,253)**	**(127,056)**	–	(7,240)	(212,423)
Notional amount of forward exchange contracts at fair value through profit or loss	**–**	**2,600**	**–**	–	2,250	–
Overall net exposure	**2,835**	**368**	**(109,432)**	13,281	(4,901)	(202,856)

30. Financial risk management and fair values *(continued)*

(d) Currency risk *(continued)*

(iii) Exposure to currency risk *(continued)*

	Company					
	2011			2010		
	Renminbi	**Euros**	**United States Dollars**	Renminbi	Euros	United States Dollars
	'000	**'000**	**'000**	'000	'000	'000
Notional amount of forward exchange contracts at fair value through profit or loss and overall net exposure	**–**	**2,600**	**–**	–	2,250	–

(iv) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and revenue reserve) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	Group			
	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and revenue reserve**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and revenue reserve
		HK$'000		HK$'000
Renminbi	**5%**	**145**	5%	642
Euros	**5%**	**159**	5%	(2,091)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's loss after tax and revenue reserve measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010.

31. Fair values

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2011 and 2010.

As at December 31, 2011, the management adopted valuation technique in which significant inputs are not based on observable market data to estimate the fair value of the unquoted available-for-sale equity security investment.

As at December 31, 2011, the fair value of the forward exchange contract is determined using forward exchange market rates of similar financial instruments.

32. Jointly controlled assets

At December 31, 2011, the aggregate amounts of assets and liabilities recognised in the financial statements relating to the Group's interests in jointly controlled assets are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Assets:		
Programming library	**392**	919
Prepayments and other receivables	**1,300**	1,300
	1,692	2,219
Liabilities:		
Accrued expenses and other payables	**–**	–

33. Commitments

Commitments outstanding as at December 31, 2011 not provided for in the financial statements were as follows:

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Capital commitments				
(i) Property, plant and equipment				
— Authorised and contracted for	**30,815**	8,096	**–**	–
— Authorised but not contracted for	**175,426**	111,743	**–**	–
	206,241	119,839	**–**	–
(ii) Acquisition of equity interests in prospective subsidiary and associate				
— Authorised and contracted for	**3,066**	2,895	**–**	–
— Authorised but not contracted for	**–**	–	**–**	–
	3,066	2,895	**–**	–
	209,307	122,734	**–**	–
Programming and other commitments				
— Authorised and contracted for	**1,008,554**	1,717,043	**–**	–
— Authorised but not contracted for	**80,331**	142,147	**–**	–
	1,088,885	1,859,190	**–**	–
Operating lease commitments				
— Within one year	**48,154**	35,573	**–**	–
— After one year but within five years	**81,421**	19,219	**–**	–
— After five years	**29,935**	32,325	**–**	–
	159,510	87,117	**–**	–
	1,457,702	2,069,041	**–**	–

(a) Operating lease commitments

The Group leases a number of premises under operating leases for use as office premises, car parks, warehouses, district centres, remote camera sites, multipoint microwave distribution system transmission sites and hub sites. The terms of the leases vary and may be renewable on a monthly basis or run for an initial period of two to fifteen years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually adjusted every two to three years to reflect market rentals. None of the leases includes contingent rentals.

Some of the leased properties have been sublet by the Group under operating leases. The terms of the subleases vary and may be renewable on a monthly basis or run for an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group leases out decoders to customers under operating leases which are renewable on a monthly basis. None of the leases includes contingent rentals.

33. Commitments *(continued)*

(b) Future operating lease income

(i) The total future minimum sublease payments receivable under non-cancellable subleases at December 31, 2011 amounted to HK$21,015,000 (2010: HK$4,748,000).

(ii) The total future minimum lease payments receivable in respect of decoders and other equipment under non-cancellable operating leases are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**1,176**	1,861
After one year but within five years	**–**	–
	1,176	1,861

34. Contingent liabilities

As at December 31, 2011, there were contingent liabilities in respect of the following:

(i) 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.

(ii) Guarantees, indemnities and letters of awareness to banks totalling HK$206 million (2010: HK$12 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at December 31, 2011, HK$Nil (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. As at December 31, 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$Nil (2010: 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.

35. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year ended December 31, 2011:

	2011 **HK$'000**	2010 HK$'000
Rentals payable and related management fees on land and buildings (Note (i))	**46,502**	43,381
Rentals receivable on land and buildings (Note (ii))	**(5,688)**	(5,464)
Network repairs and maintenance services charges (Note (iii))	**(9,279)**	(5,621)
Management fees (Note (iv))	**9,050**	5,663
Computer services (Note (v))	**1,669**	2,458
Leased line and Public Non-Exclusive Telecommunications Service ("PNETS") charges and international bandwidth access charges (Note (vi))	**26,735**	29,595
Internet Protocol Point wholesale services charge (Note (vii))	**(25,775)**	(40,445)
Agency fees (Note (viii))	**(6,679)**	(13,303)
Telephony services fees (Note (ix))	**4,227**	–
Disposal of NETMAP System (Note (x))	**(7,500)**	–
Acquisition of a subsidiary (Note (xi))	**–**	–

Notes:

(i) These represent rentals and related management fees paid to fellow subsidiaries in respect of office premises, car parks, warehouses, district centres and hub sites. As at December 31, 2011, related rental deposits amounted to HK$9,925,000 (2010: HK$9,925,000).

(ii) This represents rentals received from a fellow subsidiary in respect of the lease of office premises.

(iii) This represents service charges to a fellow subsidiary in relation to the operation, repair and maintenance of ducts, cables and ancillary equipment.

(iv) This represents costs incurred by a fellow subsidiary on the Group's behalf which were recharged to the Group.

(v) This represents service charges paid to fellow subsidiaries for computer system maintenance and consulting services provided.

(vi) These represent service fees paid to a fellow subsidiary in respect of the leasing of datalines, PNETS charges and international bandwidth access charges incurred.

(vii) This represents service charges received from a fellow subsidiary in relation to the Internet Protocol Point wholesale services.

(viii) This represents service charges received from a fellow subsidiary in relation to the agency services.

(ix) This represents service charges paid to a fellow subsidiary in relation to the telephony services.

(x) This represents consideration received from a fellow subsidiary in relation to disposal of a computer software system, which is known as the NETMAP System.

(xi) This represents consideration of HK$1 paid to a fellow subsidiary in relation to acquisition of a subsidiary.

The immediate holding company has issued deeds of indemnity in respect of certain taxation and costs arising in respect of the period prior to November 1, 1999. The Group is not charged for these indemnities.

35. Material related party transactions *(continued)*

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's Directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2011 **HK$'000**	2010 HK$'000
Short-term employee benefits	**21,308**	22,281
Post-employment benefits	**1,020**	1,138
	22,328	23,419

Total remuneration is included in "staff costs" (See Note 5).

36. Accounting estimates and judgements

Management considers the key source of estimation uncertainty lies in the recognition of deferred tax assets from unused tax losses. As explained in Note 1(p), all deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilised, are recognised. It is possible that adverse changes to the operating environment or the Group's organisation structure could cause a future write-down of the deferred tax assets recognised.

Apart from deferred tax assets, management also makes estimates and assumptions that affect the reported amounts of other assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Notes 1(g), 1(i)(i), 1(i)(iv) and 1(i)(v), 1(k), 1(l), 1(t), and Note 31 contain information about the assumptions and risk factors relating to useful lives of property, plant and equipment, net realisable value of commissioned programmes, films rights and perpetual film rights and films in progress, impairment of property, plant and equipment, other intangible assets, inventories, loans and receivables, and unlisted equity instruments.

The useful lives of property, plant and equipment are estimated at the time such assets are acquired and are based on historical experience with similar assets, also taking into account the anticipated technological or industrial changes in order to determine the amount of depreciation expense to be recorded during any reporting period. If these changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation expense in future periods.

Net realisable values of commissioned programmes, films rights and perpetual film rights and films in progress are estimated based on the projected future revenue to be derived from all applicable territories and windows less cost to sell, taking into account historical performances of films and programmes with comparable budgets, casts, or other relevant qualities. Impairment is made for carrying costs that are in excess of the expected future revenue to be generated by these programmes and films. Films in progress are stated at cost less any impairment, taking into account the project status and estimated realisable value. If revenue actually generated were to fall short of forecasts, or there are changes in total projected ultimate gross revenues, amortisation may need to be increased, or impairment may need to be made to reduce the carrying value of individual programme or film to its realisable amount.

Property, plant and equipment, inventories, other intangible assets and various financial instruments including loans and receivables, equity instruments are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the realisable value. If any such indication exists, the asset's realisable value is estimated and an impairment loss is recognised.

The estimated useful lives of certain SD set-top-boxes are affected by the fastest growing HD technology and services. During the year of 2011, the Group revised the estimated useful lives of SD set-top-boxes. This change in accounting estimates reflects the Group's best estimates of the remaining useful lives of the SD set-top-boxes. The change in useful lives has increased the depreciation charge for the year by approximately HK$15,810,000 and will decrease the depreciation charge for the year ended 31 December 2012 by approximately HK$3,546,000. This change in estimates does not have any effect on the total depreciation expenses of those SD set-top-boxes during the SD set-top-boxes' lives as the effect of such change represents a timing difference.

36. Accounting estimates and judgements *(continued)*

The values of property, plant and equipment and inventories and other intangible assets in use represent the amount that these assets are expected to generate based on reasonable and supportable assumptions. The values of loans and receivables are calculated based on estimated future cash flows. The fair values of equity instruments are estimated based on a combination of valuation techniques including use of recent arm's length market transactions of the underlying securities and references to the fund managers' estimated fair value as adjusted for specific circumstances of the investment including recent fund raising results and financial outlook.

Actual results may differ from these estimates under different assumptions or conditions.

37. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended December 31, 2011 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for the following developments are expected to result in amended disclosures in the financial statements including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	July 1, 2012
HKFRS 10, *Consolidated financial statements*	January 1, 2013
HKFRS 11, *Joint arrangements*	January 1, 2013
HKFRS 12, *Disclosure of interests in other entities*	January 1, 2013
HKFRS 13, *Fair value measurement*	January 1, 2013
HKAS 27, *Separate financial statements (2011)*	January 1, 2013
HKAS 28, *Investments in associates and joint ventures*	January 1, 2013
Revised HKAS 19, *Employee benefits*	January 1, 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	January 1, 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	January 1, 2014
HKFRS 9, *Financial Instruments*	January 1, 2015

38. Post Balance Sheet Event

In the current year, a banking facility of HK$200 million was granted to a subsidiary of the Group. In January 2012, the subsidiary drew down HK$100 million for the purpose of financing general working capital requirements.

39. Parent and ultimate controlling party

The Directors consider the parent and the ultimate controlling party at December 31, 2011 to be Wharf Communications Limited and Wheelock and Company Limited, respectively, both of which are incorporated in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

40. Approval of financial statements

The financial statements were approved and authorised for issue by the Directors on March 12, 2012.

Five-year Financial Summary

(Expressed in HK$ million)

	2007	2008	2009	2010	**2011**
Results					
Turnover	2,304	2,080	1,754	2,002	**2,110**
Operating expenses	(2,126)	(2,161)	(1,798)	(2,251)	**(2,290)**
(Loss)/profit from operations	178	(81)	(44)	(249)	**(180)**
Interest income	21	6	–	–	**1**
Finance costs, net	–	–	–	–	**(1)**
Non-operating (expenses)/income	2	(2)	(1)	1	**(3)**
Impairment losses on investment	(2)	(2)	(2)	(1)	**–**
Share of loss of associate	–	(17)	–	(41)	**–**
(Loss)/profit before taxation	199	(96)	(47)	(290)	**(183)**
Income tax	(16)	(15)	7	23	**4**
(Loss)/profit for the year	183	(111)	(40)	(267)	**(179)**
Attributable to:					
Equity shareholders of the Company	182	(110)	(41)	(267)	**(179)**
Non-controlling interests	1	(1)	1	–	**–**
(Loss)/profit for the year	183	(111)	(40)	(267)	**(179)**
Assets and Liabilities					
Property, plant and equipment	1,391	1,157	1,153	1,146	**1,075**
Programming library	183	132	114	114	**107**
Other intangible assets	8	4	4	4	**4**
Interest in associate	59	39	38	–	**–**
Deferred tax assets	354	330	330	343	**336**
Other non-current assets	105	172	82	111	**59**
Current assets	834	936	914	602	**594**
Total assets	2,934	2,770	2,635	2,320	**2,175**
Current liabilities	532	615	542	502	**549**
Deferred tax liabilities	97	81	74	63	**54**
Other non-current liabilities	34	20	8	8	**9**
Total liabilities	663	716	624	573	**612**
Share capital	2,017	2,012	2,012	2,012	**2,012**
Reserves	250	37	(4)	(268)	**(449)**
Total equity attributable to equity shareholders of the Company	2,267	2,049	2,008	1,744	**1,563**
Non-controlling interests	4	5	3	3	**–**
Total liabilities and equity	2,934	2,770	2,635	2,320	**2,175**

A Chinese version of this annual report is available from the company upon request

如有需要，可向本公司索取本年報之中文版本

有線寬頻 i-CABLE

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