有線寬頻 i-CABLE

STOCK CODE: 1097

i-CABLE COMMUNICATIONS LIMITED

2012 INTERIM REPORT

Approaching 20th Anniversary

About the Company

i-CABLE Communications Limited is an integrated communications company in Hong Kong, commanding one of the largest and most influential 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.

CONSOLIDATED RESULTS HIGHLIGHTS

- Turnover decreased by 1% to HK$1,038 million (2011: HK$1,051 million).
- EBITDA decreased to HK$28 million (2011: HK$68 million).
- Net loss of HK$97 million was reported (2011: HK$55 million).

Television

- Turnover decreased by 2% to HK$855 million (2011: HK$874 million).
- EBITDA decreased to HK$20 million (2011: HK$51 million).

Internet & Multimedia

- Turnover increased by 1% to HK$169 million (2011: HK$167 million).
- EBITDA decreased to HK$58 million (2011: HK$70 million).

GROUP RESULTS

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2012 amounted to HK$97 million, as compared to HK$55 million for the corresponding period in 2011. Basic and diluted loss per share were both HK$0.048, as compared to both HK$0.027 last year.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2012 (2011: Nil).

BUSINESS REVIEW

Competition and Operating Environment

The year of 2012 is positioned as a period of consolidation fortifying hard-earned inroads amidst looming economic uncertainties and a challenging operating environment.

During the first half of the year, competitive pressure remained high across business segments affecting our overall performance. Traditionally, direct competition mainly existed among operators on the same transmission platform or among providers offering similar services. These days cross-platform competition was far more significant when one single programming content could be made available on various platforms. Competition could come from any market or industry not even considered relevant previously. Staying ahead of competition has become more challenging than ever.

Following our strong Pay TV customer growth in recent years, achieving similar growth in the foreseeable future would be very unlikely in a highly saturated and competitive TV market comprising 12 domestic free TV channels, hundreds of channels from three licensed and one unlicensed Pay TV operators, a good number of affordable satellite channels and an abundant supply of free content legally or illegally available on the Internet.

Competition in the Broadband and Telephony sectors was tough during the period and is not expected to ease in the rest of the year when fixed line services are also being threatened by the phenomenal growth in mobile services.

Substantial increases in premium and general programming costs, rising costs of sales, costly investments in service and system upgrades and decreases in our customer base would continue to affect the Group's performance and slacken the pace of our return to profitability.

Television Services

This period saw a net loss of about 12,000 TV services customers, the first contraction since 2009. Keen competition from both within and outside the Pay TV market remained a major factor behind the attritions. Other causes included customers' changing viewing habits and an ever-increasing range of entertainment choices. Also attributable were contract expiries for a good number of customers who signed on two years ago for the last FIFA World Cup for a minimum of two years. This phenomenon to a certain extent attests to a growingly common trend in the communications market where customers are becoming increasingly specific with the particular products or services they want and are more and more reluctant to commit to longer term contracts.

Thanks to stronger advertising sales, the first half of 2012 saw a mild turnover decrease when compared to last year. In the past, commercial airtime sales tends to improve during the second half of the year. This year, however, the global economic uncertainties may affect sales results in the coming months.

The summer Olympics in July and August is expected to lift airtime sales in the second half of 2012. However, acquisition and production cost is expected to put pressure on the Group's profitability. Acquiring the rights to such mega events goes a lot to show the level of TV service providers' commitment to bringing customers the best possible programming despite the not very favourable financial returns.

Internet & Multimedia

Our Broadband segment continued to see decreases in both subscribers and revenue contributions. This trend would be costly to reverse in the foreseeable future due to competition in a saturated market with an 87% household broadband penetration rate. Another factor affecting the fixed line broadband business across the industry is the fast-growing rate of mobile broadband adoption. As of April 2012, Hong Kong's mobile telecommunications services subscriber penetration rate stood at 216%. Over half of them were also using mobile data services, which are becoming more affordable and reliable when transmitting at higher and higher speeds. We would continue with network upgrades and enhancements to ensure a full range of offers catering for the respective needs of different customers including fibre-to-the-home services for top-end users, attractively priced packages for customers wanting high-speed connections and affordable plans for those requiring more casual uses only.

The proliferation of mobile phones is also affecting the fixed-line residential telephone business in the same manner. The days of residential voice services as a key revenue contributor are long gone. This communications feature is set to remain as an integral part of a telecommunications operator's diverse range of services rather than a strong business growth driver in its own right.

Programming

Programming is what makes TV business. We invested in premier programming across our flagship platforms and would continue to do so in the years ahead.

This period's programming agenda was particularly strong on sports. Leading the charge was January's introduction of live Barclays English Premier League ("BPL") matches in 3D for TV format. This 10-match initiative spanning the best part of this half-year was so successful that it had reportedly helped boost the sales of 3D TV sets across Hong Kong. It also benefited us in terms of HD sports pack sales from both existing and new customers. We will offer more BPL matches in 3D in the second half of 2012 in the new season.

The Group was proud with its status as the Hong Kong Official Broadcaster of the London 2012 Olympic Games. It was the first time a Hong Kong medium was given the full range of media rights covering Pay TV, new media and free TV. Our cross-platform coverage was designed to bring the excitement of the Games covering 26 sports and spanning 17 days to Hong Kong citizens via home TV, computer screen and mobile device. Our Pay TV platform provided over 1,600 hours of Games programming in multiple TV formats, of which over 900 hours were live broadcasts. We also licensed the free TV rights to local over-the-air operators to enrich viewers' choice and particularly address the need of citizens who had access to traditional analogue TV only. Much talked about and welcomed by viewers during the Games was our all-3D channel providing live coverage of the opening and closing ceremonies and various high viewer interest competitions in the latest 3D TV broadcasting technology without any additional charge to our HD services customers. Three of our main Olympic channels were simulcast live on our website and mobile apps for free public access. Preparations for our Olympic carriage started very early and it was absolutely all hands on deck during Games time with one simple goal shared by all of us in the Group: "No matter where you are and what you are doing, we will bring you the Olympic frenzy from London in ways never as diverse and on a scale totally unprecedented".

Sports aside, we were equally mindful of our other flagship platforms' programming needs. On top of its 24-hour news updates and in-depth reporting, our News team continued to produce awards and accolades winning current affairs programmes on topical subject matters both in Hong Kong and on the Mainland. Our independent and professional coverage of public elections, government policies, natural disasters, law and order cases as well as scandals and fiascos continued to earn both praises and respect from the community.

Our entertainment channels continued to provide a rich collection of popular drama series from various neighbouring regions as well as blockbusters and movie classics from across the world. Our own production included travelogues, cooking shows, Chinese astrology and geomancy guides and the ever-popular *Unbelievable* series. Efforts were also taken to strengthen our platform of satellite channels from the Mainland to meet the needs of local and visiting viewers in light of Hong Kong's growing social and economic integration with the rest of China.

Outlook

"Think outside the box" has become something of a cliche over the years that many would be quick to dismiss. But it is of much relevance to us when our business does have much to do with boxes of various sizes and dimensions. For the best part of TV's relatively short history, TV sets were box-shaped. So were cable modems, computers and many desktop telephone models. Until fairly recently, our services were limited to the physical location of these box-shaped equipment. Likewise, our mindset was in a great way limited by this operating model. These days manufacturers are producing new gadgets that no longer look like boxes and many are mobile-ready, multifunctional or both. Service providers such as ourselves are also under great pressure to explore ways to offer our services free of the conventional constraints that require our customers to be physically home before their TVs or computers.

With that in mind, we have implemented a series of initiatives to enhance the portability of our prized programming through means outside traditional broadcasting confines. We endeavour to make better use of the Internet and mobile platforms to attract younger customers and those whose daily schedules simply do not permit long viewing time at home. Opportunities to sublicense our contents to other media and platforms and innovative ways to deliver our services are also proactively explored. Boxes or not, "Think Creative" is a major focus in this year's business plan to make the best use of our resources and unleash hidden revenue potential across platforms.

We would continue to invest in premier programming across our flagship platforms, HD capabilities expansion, territory-wide broadband upgrades, customer service improvements and new media initiatives to drive customer and revenue growths.

FINANCIAL REVIEW

A. Review of 2012 Interim Results

Across the main product lines, negative subscriber growth was reported and rising costs eroded flat turnovers to result in larger losses.

Consolidated turnover decreased by 1% to HK$1,038 million.

Operating costs before depreciation increased by 3% to HK$1,010 million. Programming costs increased by 3%; network costs 2% and cost of sales 17%, while selling, customer service, general and administrative expenses decreased by 2%.

EBITDA decreased to HK$28 million (2011: HK$68 million).

Net loss of HK$97 million was reported (2011: HK$55 million). Basic and diluted loss per share was HK$0.048 as compared to loss per share of HK$0.027 in 2011.

B. Segmental Information

Television

TV services customers decreased by 12,000 in the period to 1,094,000. Turnover decreased by 2% to HK$855 million, mainly attributable to a decrease in higher yield subscriptions as well as network related project income. Operating costs before depreciation increased by 2% to HK$836 million, primarily due to the higher cost of major soccer leagues in the new season partly offset by lower cost of sales. EBITDA decreased to HK$20 million (2011: HK$51 million).

Internet & Multimedia

Broadband services customers decreased by 13,000 in the period to 205,000, and Telephony services customers decreased by 14,000 to 135,000. Turnover increased by 1% to HK$169 million. Operating costs before depreciation increased by 13% to HK$111 million, mainly due to higher cost for Telephony business upon the acquisition of i-CABLE Telecom Limited in September 2011. EBITDA decreased to HK$58 million (2011: HK$70 million).

C. Liquidity and Financial Resources

As of June 30, 2012, the Group had bank deposits and net cash of HK$184 million, as compared to HK$338 million at December 31, 2011.

The consolidated net asset value of the Group as at June 30, 2012 was HK$1,466 million, or HK$0.7 per share.

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

Capital expenditure during the period amounted to HK$113 million (2011: HK$88 million). Major items included HD set-top-boxes, call centre telephone system upgrade as well as TV production and broadcast facilities for HD channels and Olympics 2012.

The Group's ongoing capital expenditure and new business development will be funded by internal cash flows generated from operations and bank credit facilities.

D. Contingent Liabilities

At June 30, 2012, there were contingent liabilities in respect of guarantees, indemnities and letters of awareness given by the Company on behalf of subsidiaries relating to overdraft and guarantee facilities of banks up to HK$206 million (2011: HK$12 million), of which HK$100 million (2011: HK$2 million) have 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 2,693 employees at the end of June 2012 (2011: 2,725). Total gross amount of salaries and related costs incurred in the corresponding period amounted to HK$359 million (2011: HK$351 million).

Consolidated Income Statement

For the six months ended June 30, 2012 – unaudited

		Six months ended June 30,	
		2012	2011
	Note	**HK$'000**	HK$'000
Turnover	*3*	**1,037,929**	1,050,825
Programming costs		**(657,305)**	(636,694)
Network expenses		**(114,324)**	(112,600)
Selling, general and administrative and other operating expenses		**(186,021)**	(189,390)
Cost of sales		**(51,985)**	(44,534)
Profit from operations before depreciation		**28,294**	67,607
Depreciation	*4*	**(128,648)**	(116,586)
Loss from operations		**(100,354)**	(48,979)
Interest income		**646**	353
Finance costs, net		**(1,772)**	1
Non-operating income/(expenses)	*4*	**2,691**	(2,469)
Loss before taxation	*4*	**(98,789)**	(51,094)
Income tax	*5*	**1,897**	(3,652)
Loss for the period		**(96,892)**	(54,746)
Attributable to:			
Equity shareholders of the Company		**(96,892)**	(54,750)
Non-controlling interests		**–**	4
Loss for the period		**(96,892)**	(54,746)
Loss per share			
Basic	*6*	**(4.8) cents**	(2.7) cents
Diluted	*6*	**(4.8) cents**	(2.7) cents

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

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2012 – unaudited

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
Loss for the period	**(96,892)**	(54,746)
Other comprehensive income for the period (after reclassification adjustment):		
Exchange difference on translation of foreign subsidiaries' financial statements	**109**	1,119
Total comprehensive income for the period	**(96,783)**	(53,627)
Attributable to:		
Equity shareholders of the Company	**(96,783)**	(53,750)
Non-controlling interests	**–**	123
Total comprehensive income for the period	**(96,783)**	(53,627)

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

Consolidated Statement of Financial Position

At June 30, 2012 – unaudited

	Note	At June 30, 2012 HK$'000 (unaudited)	At December 31, 2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	7	**1,057,046**	1,074,806
Programming library	8	**117,222**	106,816
Other intangible assets	9	**4,006**	4,006
Interest in associate		**–**	–
Deferred tax assets	13	**334,166**	336,041
Other non-current assets		**63,748**	58,826
		1,576,188	1,580,495
Current assets			
Inventories		**5,874**	5,886
Accounts receivable from trade debtors	10	**82,855**	87,145
Deposits, prepayments and other receivables		**210,953**	161,752
Amounts due from fellow subsidiaries		**527**	901
Cash and cash equivalents		**283,529**	338,359
		583,738	594,043
Current liabilities			
Amounts due to trade creditors	11	**99,781**	93,397
Accrued expenses and other payables		**188,761**	197,861
Receipts in advance and customers' deposits		**191,960**	205,638
Current taxation	13	**396**	22
Amounts due to fellow subsidiaries		**54,594**	49,976
Amount due to immediate holding company		**885**	1,816
		536,377	548,710
Net current assets		**47,361**	45,333
Total assets less current liabilities		**1,623,549**	1,625,828
Non-current liabilities			
Deferred tax liabilities	13	**48,905**	53,708
Other non-current liabilities		**8,614**	9,307
Bank loans		**100,000**	–
		157,519	63,015
NET ASSETS		**1,466,030**	1,562,813
Capital and reserves			
Share capital	12	**2,011,512**	2,011,512
Reserves		**(545,482)**	(448,699)
Total equity attributable to equity shareholders of the Company		**1,466,030**	1,562,813
Non-controlling interests		**–**	–
TOTAL EQUITY		**1,466,030**	1,562,813

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

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2012 – unaudited

	Attributable to equity shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Fair value reserve HK$'000	Revenue reserve HK$'000	Other reserve HK$'000	Total reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at January 1, 2011*	2,011,512	4,838,365	13,944	4,655	7,722	–	(5,132,548)	–	(267,862)	1,743,650	3,239	1,746,889
Loss for the period	–	–	–	–	–	–	(54,750)	–	(54,750)	(54,750)	4	(54,746)
Other comprehensive income for the period	–	–	–	1,000	–	–	–	–	1,000	1,000	119	1,119
Total comprehensive income for the period	–	–	–	1,000	–	–	(54,750)	–	(53,750)	(53,750)	123	(53,627)
Transfer to special capital reserve	–	–	7	–	–	–	(7)	–	–	–	–	–
Balance at June 30, 2011*	2,011,512	4,838,365	13,951	5,655	7,722	–	(5,187,305)	–	(321,612)	1,689,900	3,362	1,693,262
Balance at January 1, 2012*	2,011,512	4,838,365	13,963	3,650	7,722	–	(5,312,399)	–	(448,699)	1,562,813	–	1,562,813
Loss for the period	–	–	–	–	–	–	(96,892)	–	(96,892)	(96,892)	–	(96,892)
Other comprehensive income for the period	–	–	–	109	–	–	–	–	109	109	–	109
Total comprehensive income for the period	–	–	–	109	–	–	(96,892)	–	(96,783)	(96,783)	–	(96,783)
Transfer to special capital reserve	–	–	–	–	–	–	–	–	–	–	–	–
Balance at June 30, 2012*	**2,011,512**	**4,838,365**	**13,963**	**3,759**	**7,722**	**-**	**(5,409,291)**	**-**	**(545,482)**	**1,466,030**	**-**	**1,466,030**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2012 - unaudited

	Six months ended June 30,	
	2012	2011
	HK$'000	HK$'000
Operating activities		
Loss before taxation	**(98,789)**	(51,094)
Adjustments for:		
Finance costs, net	**1,772**	(1)
Interest income	**(646)**	(353)
Depreciation	**128,648**	116,586
Amortisation of programming library	**42,753**	38,528
Others	**(1,968)**	3,835
Operating profit before change in working capital	**71,770**	107,501
Change in working capital	**(61,257)**	(32,790)
Cash generated from operations	**10,513**	74,711
Interest received	**313**	87
Overseas tax paid	**(657)**	(180)
Net cash generated from operating activities	**10,169**	74,618
Investing activities		
Purchase of property, plant and equipment	**(115,785)**	(113,412)
Other net investing activities	**(49,239)**	(39,440)
Net cash used in investing activities	**(165,024)**	(152,852)
Net cash generated from / (used in) financing activities	**100,000**	(1)
Net decrease in cash and cash equivalents	**(54,855)**	(78,235)
Effect of foreign exchange rate changes	**25**	467
Cash and cash equivalents at January 1	**338,359**	446,682
Cash and cash equivalents at June 30	**283,529**	368,914

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

1. Basis of preparation and comparative figures

The unaudited interim financial report is prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report is prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

2. Changes in accounting policies

HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's financial statements.

– Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*
– Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

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

3. Turnover

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.

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.

3. Turnover *(continued)*

Business segments for the six months ended June 30,

	Television		Internet and multimedia		Unallocated		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue from external customers	**848,788**	867,999	**169,020**	166,893	**20,121**	15,933	**1,037,929**	1,050,825
Inter-segment revenue	**6,697**	5,713	**283**	535	**2,795**	2,725	**9,775**	8,973
Reportable segment revenue	**855,485**	873,712	**169,303**	167,428	**22,916**	18,658	**1,047,704**	1,059,798
Reportable segment results ("EBITDA")	**19,794**	51,427	**58,493**	69,713	**(49,583)**	(53,211)	**28,704**	67,929
Reportable segment results ("EBIT")	**(59,332)**	(22,235)	**12,390**	30,370	**(53,002)**	(56,792)	**(99,944)**	(48,657)
Inter-segment elimination							**(410)**	(322)
Loss from operations							**(100,354)**	(48,979)
Interest income							**646**	353
Finance costs, net							**(1,772)**	1
Non-operating income/(expenses)							**2,691**	(2,469)
Income tax							**1,897**	(3,652)
Loss for the period							**(96,892)**	(54,746)

4. Loss before taxation

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

	Six months ended June 30, 2012 HK$'000	2011 HK$'000
Depreciation		
– assets held for use under operating leases	**14,502**	11,897
– other assets	**114,146**	104,689
	128,648	116,586
Amortisation of programming library*	**42,753**	38,528
Staff costs	**342,873**	332,096
Contributions to defined contribution retirement plans	**17,028**	16,399
Cost of inventories	**10,533**	5,404
Interest expenses on bank loans	**1,763**	–
Auditors' remuneration	**1,602**	1,415
Non-operating (income)/expenses		
Net (gain)/loss on disposal of property, plant and equipment	**(2,691)**	2,469

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

5. Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

	Six months ended June 30, 2012 HK$'000	2011 HK$'000
Current tax – Overseas		
Tax for the period	**(1,031)**	(165)
Deferred tax (Note 13(b))		
Utilisation of prior year's tax losses recognised	**(7,233)**	(6,654)
Reversal of temporary differences	**10,161**	3,167
	2,928	(3,487)
Income tax	**1,897**	(3,652)

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period. Taxation for the overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant countries.

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$96,892,000 (2011: HK$54,750,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2011: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2012 and 2011.

7. Property, plant and equipment

	HK$'000
Net book value at January 1, 2012	1,074,806
Additions – Network, decoders, cable modems and television production systems	95,993
– Others	17,251
Disposals	(1,532)
Depreciation	(128,648)
Impairment loss	(723)
Reclassification to inventories	(256)
Exchange reserve	155
Net book value at June 30, 2012	1,057,046

8. Programming library

	HK$'000
Net book value at January 1, 2012	106,816
Additions	53,159
Amortisation	(42,753)
Net book value at June 30, 2012	117,222

9. Other intangible assets

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
Club debentures	**4,006**	4,006

10. Accounts receivable from trade debtors

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

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
0 to 30 days	**43,179**	24,106
31 to 60 days	**3,849**	22,337
61 to 90 days	**15,902**	18,861
Over 90 days	**19,925**	21,841
	82,855	87,145

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

11. Amounts due to trade creditors

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

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
0 to 30 days	**44,097**	14,999
31 to 60 days	**31,745**	24,271
61 to 90 days	**12,646**	21,504
Over 90 days	**11,293**	32,623
	99,781	93,397

12. Share capital

	At June 30, 2012		At December 31, 2011	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised				
Ordinary shares of HK$1 each	**8,000,000**	**8,000,000**	8,000,000	8,000,000
Issued and fully paid				
At January 1 and end of period/year	**2,011,512**	**2,011,512**	2,011,512	2,011,512

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

13. Income tax in the consolidated statement of financial position

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

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
Overseas taxation	**396**	22

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	**Depreciation allowances in excess of related depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At January 1, 2012	81,109	(363,442)	(282,333)
(Credited)/charged to consolidated income statement (Note 5)	(10,161)	7,233	(2,928)
At June 30, 2012	70,948	(356,209)	(285,261)

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

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(334,166)**	(336,041)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**48,905**	53,708
	(285,261)	(282,333)

(c) Deferred tax assets not recognised:

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

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
Future benefit of tax losses	**364,476**	362,375
Impairment loss for bad and doubtful accounts	**48**	63
	364,524	362,438

14. Commitments

Commitments outstanding as of June 30, 2012 not provided for in the interim financial report were as follows:

	At June 30, 2012 HK$'000	At December 31, 2011 HK$'000
Capital commitments		
(i) Property, plant and equipment		
– Authorised and contracted for	**46,841**	30,815
– Authorised but not contracted for	**132,189**	175,426
	179,030	206,241
(ii) Acquisition of equity interests in prospective subsidiary and associate		
– Authorised and contracted for	**3,084**	3,066
– Authorised but not contracted for	**–**	–
	3,084	3,066
	182,114	209,307

15. Contingent liabilities

As at June 30, 2012, there were contingent liabilities in respect of the following:

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

(b) Guarantees, indemnities and letters of awareness to banks totalling HK$206 million (December 31, 2011: HK$206 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at June 30, 2012, HK$100 million (December 31, 2011: HK$Nil) was utilised by the subsidiaries.

As at the end of the reporting period, the Company has issued three separate guarantees to a bank in respect of banking facilities granted to two wholly-owned subsidiaries. At June 30, 2012, 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$100 million. The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and the transaction price was HK$Nil.

16. Material related party transactions

The significant and material related party transactions between the Group and related parties as set out in the annual accounts for the year ended December 31, 2011 continued to take place during this interim reporting period.

There were no new significant and material related party transactions entered by the Group during the six months ended June 30, 2012.

17. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2012 was reviewed with no disagreement by the Audit Committee of the Company.

18. Approval of unaudited interim financial report

The unaudited interim financial report was approved by the Directors on August 7, 2012.

CORPORATE GOVERNANCE PRACTICES

During the first three-month period, from January 1 to March 31, 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). The deviation is deemed necessary as, given the nature and size of the Company's business, it is at this stage considered to be more efficient to have one single person to hold both positions. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors ("INED(s)").

During the remaining three-month period, from April 1 to June 30, 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of two deviations, namely, (i) the First Deviation (with details etc. as mentioned above); and (ii) Code Provision A.6.7 (the "Second Deviation") providing for INEDs and other Non-executive Directors of the Company to, *inter alia*, attend general meetings. Regarding the Second Deviation, an INED was absent from the last Annual General Meeting of the Company held in May 2012 due to his other important engagement at the relevant time.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

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

DIRECTORS' INTERESTS IN SHARES

At June 30, 2012, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, The Wharf (Holdings) Limited ("Wharf") (which is the Company's parent company), Wheelock and Company Limited ("Wheelock") (which is Wharf's parent company), Wharf Finance (No. 1) Limited and Wharf Finance (2014) Limited (both being fellow subsidiaries of the Company), and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the five relevant companies respectively are also set out below:

	Quantity held (percentage of issued share capital, where 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 *(Note 1)*	2,304,445 (0.0761%)	Personal interest
Paul Y C Tsui *(Note 2)*	1,500,000 (0.0495%)	Personal interest
Wharf Finance (No. 1) Limited – HK$ Fixed Rate Notes due 2020		
Roger K H Luk	HK$4,000,000	Personal interest
Wharf Finance (2014) Limited – Convertible Bonds due 2014		
Roger K H Luk *(Note 3)*	HK$2,000,000	Personal interest

DIRECTORS' INTERESTS IN SHARES *(continued)*

Notes:

(1) Of the 2,304,445 Wharf shares, 1,500,000 shares represent the options granted to Mr Stephen T H Ng under Wharf's share option scheme in July 2011 which have not yet been exercised by Mr Ng. Therefore, no Wharf shares were allotted and issued to Mr Ng accordingly.

(2) The 1,500,000 Wharf shares represent the options granted to Mr Paul Y C Tsui under Wharf's share option scheme in July 2011 which have not yet been exercised by Mr Tsui. Therefore, no Wharf shares were allotted and issued to Mr Tsui accordingly.

(3) Regarding the HK$2,000,000 worth of convertible bonds held by Mr Roger K H Luk (as set out above), in the event of the conversion rights attached thereto being fully exercised, 22,222 shares (representing 0.0007% of the issued share capital) of Wharf would be issued.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code, there were no interests, both long and short positions, held as at June 30, 2012 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 and its associated corporations held by any of them at any time during the financial period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at June 30, 2012, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of ordinary shares** (percentage of issued share capital)
(i)	The Wharf (Holdings) Limited	1,480,505,171 (73.60%)
(ii)	Wheelock and Company Limited	1,481,442,626 (73.65%)
(iii)	HSBC Trustee (Guernsey) Limited	1,481,442,626 (73.65%)
(iv)	Marathon Asset Management LLP	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 (iii) 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).

All the interests stated above represented long positions and as at June 30, 2012, there were no short position interests recorded in the Register.

CHANGES OF INFORMATION OF DIRECTORS

(I) Given below is the latest information regarding annual emoluments, calculated on an annualised basis for the year 2012, of any and all Director(s) of the Company for whom there has/have been change(s) of amounts of emoluments since the publication of the last annual report of the Company:

Director	**#Salary and various allowances** HK$ Million	**##Discretionary annual bonus in cash** HK$ Million
Stephen T H Ng	2.00 *(2011: 1.91)*	4.00 *(2011: 4.00)*

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

Paid during the six-month period ended June 30, 2012, with the amount(s) of such discretionary annual bonus(es) fixed/decided unilaterally by the employer(s).

(II) Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public company(ies) in respect of any and all Director(s) of the Company for whom there has/have been change(s) in the relevant information since the publication of the last annual report of the Company:

Director(s)	**Present/*(Former)* directorship(s) in other listed public company(ies)**
Stephen T H Ng	Wheelock; Wharf; Harbour Centre Development Limited ("HCDL"); Joyce Boutique Holdings Limited ("Joyce"); Greentown China Holdings Limited ("Greentown China") (appointed in June 2012)
Paul Y C Tsui	Wheelock; Wharf; HCDL; Joyce; Wheelock Properties (Singapore) Limited; Greentown China (appointed in August 2012); *(Wheelock Properties Limited (formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010))*

PURCHASE, SALE OR REDEMPTION OF SHARES

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

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, August 7, 2012

As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Mr William J H Kwan and Mr Paul Y C Tsui, together with four Independent Non-executive Directors, namely, Mr T K Ho, Mr Herman S M Hu, Mr Roger K H Luk and Mr Patrick Y W Wu.

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