



有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097





BUSINESS MODEL

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

It owns and operates one of the near universal wireline telecommunications networks in Hong Kong, over which it provides Television, Broadband, Telephony and multimedia services to over one million households.

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

RESULTS HIGHLIGHTS

- Revenue compression continued. Margin improved significantly from the first half of 2013 but declined from the second half.
- More margin improvement is needed to return to profitability but current trends are expected to continue in the near term.
- Internet & Telephony revenue continued its upward trend since 2012, producing the biggest EBITDA since 2011.
- TV revenue erosion continued, albeit smaller in magnitude in 2014 than in the second half of 2013. EBITDA contracted as a result but nonetheless the best in the first half since 2010.
- Prospects for free TV will pose both new opportunities and risks.

GROUP RESULTS

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2014 was HK\$23 million (2013: HK\$112 million). Basic and diluted loss per share were both HK\$0.012 (2013: HK\$0.056).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2014 (2013: Nil).



BUSINESS REVIEW

OPERATING ENVIRONMENT

Driven by the proliferation of more intense competition, escalation in the cost of TV rights is rapidly extending from sports to other programmes such as drama series produced from the region. This is all taking place against the backdrop of declining TV viewership mainly attributable to legal and illegal contents in the new media, which in turn affects commercial airtime sales. The TV industry will continue to come under considerable structural difficulties, especially when operators are stocking up programming libraries ahead of new competition.

On the telecommunications front, a relatively long period of pricing stability finally came to an end recently with mobile operators leading the charge, announcing substantial price hikes for both voice and data services and capping data usage one way or another. Such development may be favourable to our broadband business when more price sensitive consumers find fixed line services more attractive.

TELEVISION SERVICES

The Group continued to see customer base contraction in 2014 mainly due to the migration of Barclays Premier League broadcast rights. Some viewers are also adopting a wait-and-see approach when more free TV channels are expected to be coming on stream from the two new licensees (including Group affiliate Fantastic Television Limited) and Radio Television Hong Kong. These are expected to put a drag on our business performance at least in the immediate term.

Although Pay TV business will continue to suffer from a rather tight operating margin, we would endeavour as always to press ahead with our persistent efforts through prudent programming investment strategies and stringent cost control to offset revenue erosions. Our programming offers will nonetheless continue to be as interesting and exciting as they are diverse and extensive.

At a time when local news organisations are often accused by different parties of taking sides in political issues and controversial public policies, our news team continues to enjoy wide recognition from viewers and opinion leaders for their professionalism and unbiased coverage of news and current affairs. Our breaking news and investigative reports are frequently quoted and referenced in print, electronic and social media, attesting to the high quality and credibility of our services. Fully dedicated to providing viewers with unrivalled news services, we are upgrading essential systems and facilities in our news centre to take it to a new level.



The football line-up will be rich and comprehensive. For the first time, video rights have been unified for the European qualifiers, play-offs and friendlies of the UEFA European Championship (2016 in France) and FIFA World Cup (2018 in Russia). The Group has acquired all-media exclusivity for Hong Kong, giving viewers one-stop shop convenience to follow their favourite teams' quest for championships every step of the way. Also acquired are rights to another three seasons of UEFA Champions League from 2015 to 2018. Prestigious football tournaments also available on our sports platform in the season that is about to start include Germany's Bundesliga and Super Cup, UEFA Europa League, UEFA Super Cup, Japan's J.League, Australia's A-League and FFA Cup, International Champions Cup as well as men's and women's matches of the 2014 Incheon Asian Games.

Entertainment offerings continue to be strong, featuring popular drama series acquired from around the world, movie hits produced both here and abroad as well as creative local productions spanning multiple genres. Our continual support to local film paid off during this period, screening on our entertainment platform at high viewership such recent award-grabbing, box-office hits as "The Way We Dance" and "Unbeatable".

TELECOMMUNICATIONS SERVICES

Following years of heated price wars, a de facto truce ensued for the best part of 2014 with few innovative or attractive marketing initiatives from key competitors. Things took another turn just around mid-year when steep price increases were announced by mobile service operators. If industry pundits are right with their forecasts, more upward adjustments may follow not only for mobile but also fixed line services. We expect to see the more price sensitive mobile users opting for fixed line and subscribers to competitors' fixed line plans going for our affordable and attractively priced, low-to-mid range Broadband and Telephony products.

SUNDREAM MOTION PICTURES

Sundream productions scored high during the period as an independent studio with discerning tastes and acute business sense. With top local literary celebrity Chip Tsao writing and directing, the film entitled "Enthralled" hit silver screens amidst much fanfare. Premiered in July was "Hungry Ghost Ritual", a film directed by multiple best actor award winner Nick Cheung, which became an instant box office hit garnering favourable reviews. More productions are earmarked for release this year and beyond. The business model of Sundream becoming a recognised studio in its own right while acting as a movie distributor is gaining foothold in the market.



OUTLOOK

Competition will remain intense. More margin improvement is needed to return the Group to profitability but current trends are expected to continue in the near term. Our Pay TV business is likely to see further contraction until viewers, advertisers, operators and content providers have a better understanding of the changes to market landscape following the introduction of more free channels as well as how much more serious a threat illegal online viewing could evolve into.

Our sales, marketing, content, new media, infrastructure and customer service teams have been working diligently to put together strategies and initiatives to help see us through challenges ahead with a view to better unlocking the potential of our content, bringing higher convenience and satisfaction to our subscribers and facilitating more flexibility in our products and services for maximum cross-media exploitation.

Negotiations with the Communications Authority over Fantastic Television's free TV licence have made little progress. Closer examination of the proposed licensing conditions and requirements reveals a regulatory framework that not only lacks any measures to help new entrants establish a meaningful foothold in the early stages of market liberalisation, but also turns out to be the most stringent among broadcasters despite the incumbents' unmatched advantage in various aspects including years of first mover advantage, service coverage and ease of reception due to their entrenched and free use of public radio spectrum. We are urgently taking this up with the authorities to address such concerns satisfactorily. Otherwise the Government's policy objectives for truly opening up the free TV market would have little hope of being fulfilled.

A. REVIEW OF 2014 INTERIM RESULTS

Consolidated turnover decreased by HK\$166 million or 16% to HK\$843 million.

Operating costs before depreciation decreased by HK\$260 million to HK\$747 million. Programming costs decreased by 36%, selling, customer services, general & administrative 10% and cost of sales 6%, while network costs increased by 2%.

EBITDA was HK\$95 million (2013: HK\$1 million). Net loss was HK\$23 million (2013: HK\$112 million). Basic and diluted loss per share was HK\$0.012 (2013: HK\$0.056).

B. SEGMENTAL INFORMATION

Television

Turnover decreased by 21% to HK\$648 million on lower subscription and advertising income. Operating costs before depreciation decreased by 30% to HK\$577 million, primarily due to lower programming & acquisition cost partly offset by higher network related cost and cost of sales. EBITDA gain was HK\$71 million (2013: EBITDA loss HK\$7 million).

Internet & Multimedia

Turnover increased by 6% to HK\$180 million. Operating costs before depreciation decreased by 5% to HK\$107 million. EBITDA improved by 26% to HK\$73 million (2013: HK\$58 million).



C. LIQUIDITY AND FINANCIAL RESOURCES

As of June 30, 2014, the Group had bank deposits and cash of HK\$102 million, as compared to HK\$182 million at December 31, 2013.

The consolidated net asset value of the Group as at June 30, 2014 was HK\$1,169 million, or HK\$0.58 per share.

The Group's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong or U.S. dollars and the exchange rate of HK\$ and US\$ remained pegged.

Capital expenditure during the period amounted to HK\$81 million (2013: HK\$78 million). Major items included network equipment as well as TV production and broadcast facilities.

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

D. CONTINGENT LIABILITIES

At June 30, 2014, 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\$106 million (2013: HK\$206 million), of which none (2013: HK\$100 million) was utilized.

E. HUMAN RESOURCES

The Group had 2,300 employees at the end of June 2014 (2013: 2,431). Total gross salaries and related costs incurred in the period amounted to HK\$359 million (2013: HK\$358 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2014 – unaudited

	Note	Six months ended June 30,	
		2014 HK\$'000	2013 HK\$'000
Turnover	2,3	842,527	1,008,744
Programming costs		(420,847)	(661,984)
Network expenses		(111,009)	(109,090)
Selling, general and administrative and other operating expenses		(167,422)	(185,518)
Cost of sales		(48,041)	(50,891)
Profit from operations before depreciation		95,208	1,261
Depreciation	4	(113,388)	(118,242)
Loss from operations	3	(18,180)	(116,981)
Interest income		66	133
Finance costs, net		–	(1,980)
Non-operating (expenses)/income		(200)	672
Loss before taxation	4	(18,314)	(118,156)
Income tax	5	(4,941)	6,097
Loss for the period		(23,255)	(112,059)
Attributable to:			
Equity shareholders of the Company		(23,255)	(112,059)
Non-controlling interests		–	–
Loss for the period		(23,255)	(112,059)
Loss per share	6		
Basic		(1.2) cents	(5.6) cents
Diluted		(1.2) cents	(5.6) cents

The notes on pages 12 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2014 – unaudited

	Six months ended June 30,	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(23,255)	(112,059)
Other comprehensive income for the period (after reclassification adjustment):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	(9)	282
Total comprehensive income for the period	(23,264)	(111,777)
Attributable to:		
Equity shareholders of the Company	(23,264)	(111,777)
Non-controlling interests	–	–
Total comprehensive income for the period	(23,264)	(111,777)

The notes on pages 12 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2014 – unaudited

	<i>Note</i>	At June 30, 2014 (unaudited) HK\$'000	At December 31, 2013 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	901,039	934,310
Programming library	8	167,873	137,465
Other intangible assets	9	3,767	3,767
Interest in associate		–	–
Deferred tax assets	13	302,342	311,373
Other non-current assets		71,951	55,688
		1,446,972	1,442,603
Current assets			
Inventories		16,023	13,884
Accounts receivable from trade debtors	10	65,639	80,120
Deposits, prepayments and other receivables		65,819	53,794
Amounts due from fellow subsidiaries		148	1,404
Bank deposit and cash		102,447	182,028
		250,076	331,230
Current liabilities			
Amounts due to trade creditors	11	86,989	89,535
Accrued expenses and other payables		193,668	217,394
Receipts in advance and customers' deposits		181,231	199,382
Current taxation	13	250	232
Amounts due to fellow subsidiaries		24,787	30,886
Amount due to immediate holding company		2,503	1,642
		489,428	539,071
Net current liabilities		(239,352)	(207,841)
Total assets less current liabilities		1,207,620	1,234,762
Non-current liabilities			
Deferred tax liabilities	13	30,065	34,629
Other non-current liabilities		8,797	8,111
		38,862	42,740
NET ASSETS		1,168,758	1,192,022
CAPITAL AND RESERVES			
Share capital: nominal value		–	2,011,512
Other statutory capital reserves		–	4,846,087
Share capital and other statutory capital reserves	12	6,857,599	6,857,599
Other reserves		(5,688,841)	(5,665,577)
Total equity attributable to equity shareholders of the Company		1,168,758	1,192,022
Non-controlling interests		–	–
TOTAL EQUITY		1,168,758	1,192,022

The notes on pages 12 to 23 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2014 – unaudited

Note	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Special capital reserve	Exchange reserve	Capital redemption reserve	Fair value reserve	Revenue reserve	Total reserves	Non-controlling Total interests	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at											
January 1, 2013*	2,011,512	4,838,365	13,967	3,535	7,722	-	(5,590,738)	(727,149)	1,284,363	-	1,284,363
Loss for the period	-	-	-	-	-	-	(112,059)	(112,059)	(112,059)	-	(112,059)
Other comprehensive income	-	-	-	282	-	-	-	282	282	-	282
Total comprehensive income	-	-	-	282	-	-	(112,059)	(111,777)	(111,777)	-	(111,777)
Transfer to special capital reserve	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2013*	2,011,512	4,838,365	13,967	3,817	7,722	-	(5,702,797)	(838,926)	1,172,586	-	1,172,586
Balance at January 1, 2014*	2,011,512	4,838,365	13,981	4,104	7,722	-	(5,683,662)	(819,490)	1,192,022	-	1,192,022
Loss for the period	-	-	-	-	-	-	(23,255)	(23,255)	(23,255)	-	(23,255)
Other comprehensive income	-	-	-	(9)	-	-	-	(9)	(9)	-	(9)
Total comprehensive income	-	-	-	(9)	-	-	(23,255)	(23,264)	(23,264)	-	(23,264)
Transition to no-par value regime on March 3, 2014	12	4,846,087	(4,838,365)	-	-	(7,722)	-	(4,846,087)	-	-	-
Transfer to special capital reserve	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2014*	6,857,599	-	13,981	4,095	-	-	(5,706,917)	(5,688,841)	1,168,758	-	1,168,758

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

The notes on pages 12 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended June 30, 2014 – unaudited

	Six months ended June 30,	
	2014 HK\$'000	2013 HK\$'000
Operating activities		
Loss before taxation	(18,314)	(118,156)
Adjustments for:		
Finance costs, net	–	1,980
Interest income	(66)	(133)
Depreciation	113,388	118,242
Amortisation of programming library	49,857	39,984
Others	686	91
Operating profit before change in working capital	145,551	42,008
Change in working capital	(64,557)	(39,798)
Cash generated from operations	80,994	2,210
Interest received	299	10
Overseas tax paid	(456)	(849)
Net cash generated from operating activities	80,837	1,371
Investing activities		
Purchase of property, plant and equipment	(83,462)	(80,383)
Other net investing activities	(76,945)	(52,997)
Net cash used in investing activities	(160,407)	(133,380)
Net decrease in cash and cash equivalents	(79,570)	(132,009)
Effect of foreign exchange rate changes	(11)	98
Cash and cash equivalents at January 1	182,028	288,287
Cash and cash equivalents at June 30	102,447	156,376

The notes on pages 12 to 23 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation and comparative figures

The unaudited interim financial report is prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “*Interim financial reporting*” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group and the Company. We believe the adoption of these amendments to HKFRSs and new interpretation will not have a material impact on the Group’s financial position or results of operations.

The interim financial report is prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

2. 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.

3. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

3. Segment information *(continued)*

Business segments for the six months ended June 30, 2014 and 2013:

	Television		Internet and multimedia		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	638,034	810,657	180,154	170,658	24,339	27,429	842,527	1,008,744
Inter-segment revenue	9,984	9,821	124	124	6,176	4,589	16,284	14,534
Reportable segment revenue	648,018	820,478	180,278	170,782	30,515	32,018	858,811	1,023,278
Reportable segment results ("EBITDA")	71,010	(6,890)	73,432	58,312	(47,638)	(49,490)	96,804	1,932
Reportable segment results ("EBIT")	3,352	(76,491)	28,860	12,699	(48,796)	(52,518)	(16,584)	(116,310)
Inter-segment elimination							(1,596)	(671)
Loss from operations							(18,180)	(116,981)
Interest income							66	133
Finance costs, net							-	(1,980)
Non-operating (expenses)/income							(200)	672
Income tax							(4,941)	6,097
Loss for the period							(23,255)	(112,059)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

4. Loss before taxation

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

	Six months ended June 30,	
	2014 HK\$'000	2013 HK\$'000
Depreciation		
– assets held for use under operating leases	16,875	16,177
– other assets	96,513	102,065
	113,388	118,242
Amortisation of programming library*	49,857	39,984
Staff costs	324,109	343,305
Contributions to defined contribution retirement plans	17,446	17,346
Cost of inventories	5,812	9,116
Interest expenses on bank loans	–	1,980
Auditors' remuneration	1,602	1,419
Non-operating expenses/(income)		
Net loss/(gain) on disposal of property, plant and equipment	200	(672)

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

5. Income tax in the consolidated statement of profit or loss

	Six months ended June 30,	
	2014 HK\$'000	2013 HK\$'000
Current tax – Overseas	474	585
Deferred taxation (Note 13(b))		
Utilisation of prior year's tax losses recognised	26,216	17,846
Benefit of previously unrecognised tax losses now recognised	(17,396)	(19,446)
Reversal of temporary differences	(4,353)	(5,082)
	4,467	(6,682)
Total	4,941	(6,097)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2013: 16.5%) to the six months ended June 30, 2014. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable 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\$23,255,000 (2013: HK\$112,059,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2013: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2014 and 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

7. Property, plant and equipment

	HK\$'000
Net book value at January 1, 2014	934,310
Additions – Network, decoders, cable modems and television production systems	72,965
– Others	8,163
Disposals	(372)
Depreciation	(113,388)
Impairment loss	(486)
Reclassification to inventories	(154)
Exchange reserve	1
Net book value at June 30, 2014	901,039

8. Programming library

	HK\$'000
Net book value at January 1, 2014	137,465
Additions	80,265
Amortisation	(49,857)
Net book value at June 30, 2014	167,873

9. Other intangible assets

	At June 30, 2014 HK\$'000	At December 31, 2013 HK\$'000
Club debentures	3,767	3,767

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

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, 2014 HK\$'000	At December 31, 2013 HK\$'000
0 to 30 days	32,467	19,722
31 to 60 days	4,631	21,289
61 to 90 days	11,277	16,036
Over 90 days	17,264	23,073
	65,639	80,120

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, 2014 HK\$'000	At December 31, 2013 HK\$'000
0 to 30 days	17,686	9,584
31 to 60 days	40,126	31,069
61 to 90 days	19,079	14,233
Over 90 days	10,098	34,649
	86,989	89,535

12. Capital and reserves

(a) Share capital

As at December 31, 2013, 8,000,000,000 ordinary shares, with par value of HK\$1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on March 3, 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on March 3, 2014 have become part of the company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company’s ordinary shares are set out below:

	At June 30, 2014		At December 31, 2013	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Ordinary shares, issued and fully paid:				
At January 1	2,011,512	2,011,512	2,011,512	2,011,512
Transition to no-par value regime on March 3, 2014	–	4,846,087	–	–
At June 30 and December 31	2,011,512	6,857,599	2,011,512	2,011,512

12. Capital and reserves *(continued)*

(b) Share premium and capital redemption reserves

Prior to March 3, 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the company's share capital (see note 12(a)). The use of share capital as from March 3, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

13. Income tax in the consolidated statement of financial position

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

	At June 30, 2014 HK\$'000	At December 31, 2013 HK\$'000
Overseas taxation	250	232

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

(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:

	Depreciation allowances in excess of related depreciation	Tax losses	Total
Deferred tax arising from:	HK\$'000	HK\$'000	HK\$'000
At January 1, 2014	67,025	(343,769)	(276,744)
(Credited)/charged to consolidated statement of profit or loss (Note 5)	(4,353)	8,820	4,467
At June 30, 2014	62,672	(334,949)	(272,277)
	At June 30, 2014 HK\$'000	At December 31, 2013 HK\$'000	
Net deferred tax assets recognised in the consolidated statement of financial position	(302,342)	(311,373)	
Net deferred tax liabilities recognised in the consolidated statement of financial position	30,065	34,629	
	(272,277)	(276,744)	

13. Income tax in the consolidated statement of financial position

(continued)

(c) Deferred tax assets not recognised:

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

	At June 30, 2014 HK\$'000	At December 31, 2013 HK\$'000
Future benefit of tax losses	378,344	369,936
Impairment loss for bad and doubtful accounts	249	63
	378,593	369,999

14. Commitments

Commitments outstanding as of June 30, 2014 not provided for in the interim financial report were as follows:

	At June 30, 2014 HK\$'000	At December 31, 2013 HK\$'000
Capital commitments		
(i) Property, plant and equipment		
– Authorised and contracted for	28,418	9,557
– Authorised but not contracted for	182,229	196,267
	210,647	205,824
(ii) Acquisition of equity interests in prospective subsidiary and associate		
– Authorised and contracted for	3,153	3,153
– Authorised but not contracted for	–	–
	3,153	3,153
	213,800	208,977

15. Contingent liabilities

As at June 30, 2014, there were contingent liabilities in respect of the following:

- (a) The Company has undertaken to provide financial support to certain of its subsidiaries in order to enable them to continue to operate as going concerns.
- (b) Guarantees, indemnities and letters of awareness to banks totalling HK\$106 million (December 31, 2013: HK\$6 million) in respect of overdraft and guarantee facilities given by those banks to the subsidiaries. Of this amount, at June 30, 2014, none (December 31, 2013: 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, 2014, 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 was HK\$Nil (December 31, 2013: HK\$Nil) being the amount of facilities drawn down by the wholly-owned subsidiaries.

In January 2014, a subsidiary of the Group was named as a defendant in a lawsuit regarding the subsidiary's acquisition of a property in the People's Republic of China in 2007. The Group's subsidiary and other third party defendants are being jointly claimed for a collective amount of HK\$59,500,000. Based on the advice of legal counsel, the Group believes the lawsuit to be without merit and intends to vigorously defend itself, accordingly, no provision has been made in the financial statements in respect of this claim.

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, 2013 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, 2014.



17. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2014 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 6, 2014.



CODE ON CORPORATE GOVERNANCE

During the financial period under review, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of chairman and chief executive (or 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, with more than half of them being Independent Non-executive Directors.

MODEL CODE FOR DIRECTORS’ DEALING IN SECURITIES

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company who were in office during the period under review. All of them have confirmed that they 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 SECURITIES

At June 30, 2014, 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 Wheelock Finance Limited (both being fellow subsidiaries of the Company), and the percentages (where applicable) which the relevant securities represented to the total numbers of shares in issue of the five relevant companies respectively are also set out below:

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

	Quantity held (percentage based on number of shares in issue, 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
Paul Y C Tsui (Note 1)	1,500,000 (0.0738%)	Personal interest in options for shares
Wharf – Ordinary Shares		
Stephen T H Ng (Note 2)	4,304,445 (0.1421%)	Personal interest in 804,445 shares and options for 3,500,000 shares
Paul Y C Tsui (Note 3)	2,200,000 (0.0726%)	Personal interest in options for shares
Wharf Finance (No. 1) Limited – HKD Fixed Rate Notes due 2020		
Roger K H Luk	HK\$4,000,000	Personal interest
Wheelock Finance Limited – HKD Guaranteed Notes due 2017		
Roger K H Luk	HK\$2,000,000	Personal interest

Notes:

- (1) *The 1,500,000 Wheelock share options represent the outstanding options granted to Mr Paul Y C Tsui under Wheelock's share option scheme in June 2013 which have not yet been exercised by Mr Tsui.*
- (2) *Of the 3,500,000 Wharf share options, 1,500,000 options and 2,000,000 options represent the outstanding options granted to Mr Stephen T H Ng under Wharf's share option scheme in July 2011 and June 2013 respectively which have not yet been exercised by Mr Ng.*
- (3) *Of the 2,200,000 Wharf share options, 1,200,000 options and 1,000,000 options represent the outstanding options granted to Mr Paul Y C Tsui under Wharf's share option scheme in July 2011 and June 2013 respectively which have not yet been exercised by Mr Tsui.*

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, 2014 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 any class of share capital of the Company as at June 30, 2014, 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 total number of shares in issue of the Company:

Names	No. of Ordinary Shares (percentage of number of shares in issue)
(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%)

Notes:

- (1) *The total number of shares of the Company in issue as at June 30, 2014 was 2,011,512,400.*
- (2) *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, and the shareholdings stated against parties (ii) and (iii) represented the same block of shares.*
- (3) *Wheelock's deemed shareholding interests stated above were held through, inter alia, its two wholly-owned subsidiaries, namely, Wheelock Investments Limited and WF Investment Partners Limited.*
- (4) *Wharf's deemed shareholding interests stated above were held through its wholly-owned subsidiary, namely, Wharf Communications Limited.*

All the interests stated above represented long positions and as at June 30, 2014, 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 2014, 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 ⁽¹⁾ HK\$ Million	Discretionary annual bonus in cash ⁽²⁾ HK\$ Million
Stephen T H Ng	1.9 (2013: 1.8)	3.0 (2013: 3.0)

Notes:

- (1) *Not including the Director's fee of HK\$60,000 per annum to each of the Directors of the Company payable by the Company.*
- (2) *Paid during the six-month period ended June 30, 2014, with the amounts of such discretionary annual bonus(es) fixed/decided unilaterally by the employer(s).*

- (ii) Given below is the latest information regarding the directorship(s) 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 those 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 (or, where applicable as regards Director(s) appointed subsequent thereto, since the date(s) of appointment as Director(s) 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; Wheelock Properties (Singapore) Limited (a company publicly listed in Singapore); Joyce Boutique Holdings Limited; Greentown China Holdings Limited; Hotel Properties Limited (a company publicly listed in Singapore) (appointed in July 2014)



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

H O Hung

Company Secretary

Hong Kong, August 6, 2014

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 Herman S M Hu, Mr Roger K H Luk, Mr Sherman S M Tang 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand delivery, or via email to i-cablecomm-ecom@hk.tricorglobal.com.