



有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

2016
INTERIM REPORT



RESULTS HIGHLIGHTS

- The Hong Kong economy slowed further.
- In particular, the local advertising market was weak due to sluggish consumer business.
- Nevertheless, subscription ARPU continued its growth trend and subscription revenues were stabilizing in spite of a smaller subscriber base.
- New business initiatives are being launched to contain customer attrition.
- Fantastic TV was granted a free TV licence and is preparing for the launch of its Cantonese channel latest by May 2017.

GROUP RESULTS (unaudited)

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2016 was HK\$135 million (2015: HK\$121 million). Basic and diluted loss per share were both HK\$0.07 (2015: HK\$0.06).

INTERIM DIVIDEND

No interim dividend will be paid for the six months ended June 30, 2016 (2015: Nil).

BUSINESS REVIEW

OPERATING ENVIRONMENT

The Hong Kong economy slowed further in the first half of 2016 and the local advertising market was weak due to sluggish consumer business. The Group's financial performance was affected by the decline of advertising and subscription revenues despite our efforts on cost control.

Hong Kong's television industry is in transition, led by free-to-air broadcasting. Viu TV launched its Cantonese channel in April shortly after ATV going off air and ending its 59-year run as the oldest Chinese Language broadcaster. Our affiliate Fantastic Television Limited was granted an initial licence of 12 years until May 30, 2028, subject to mid-term review around 2022.

SUBSCRIPTION BUSINESSES

Subscription ARPU continued its growth trend. Despite contraction of customer base, subscription revenues were stabilizing. New business initiatives are being launched and investment to correct perception will be enhanced.

FanHub was launched in early 2016, an enhanced Pay TV service with a full featured, "video-on-demand", open platform and app-enabled HD set top box to enrich customer experience. Our team is promoting this service to facilitate customer retention, acquisition as well as upselling, and the take up rate is encouraging.

It has always been our aim to offer distinct and premium content to our customers. We are working on the enrichment of our HD channel portfolio and will launch new HD packages later this year to satisfy different customers' expectations. Together with FanHub, we are hopeful that these new initiatives will boost customer loyalty and drive our businesses.

Enhancement of i-CABLE App to offer a multi-screen platform is underway for commercial launch soon. Our multi-screen strategy will enable customers to enjoy content across different devices whenever and wherever.

We were awarded the certification of ISO 9001 and ISO 10002, the first pay TV operator in Hong Kong to have attained both certification standards. This demonstrates the Group's commitment to deliver quality excellence to our customers.

For Broadband service, we will accelerate network enhancement to higher-speed broadband services GPON to cover many more homes in the coming few years. The enhancement should strengthen our competitiveness and would bring in revenue growth potential.

PROGRAMMING

Following the successful launch of HD News channel (HD209), we are preparing for the HD upgrade of Finance Info channel by the end of 2016.

Our self-produced entertainment programmes continued to embrace originality with local flavor and strive for diversification. Both “Eat a Way” (食得有法補), hosted by Hong Kong renowned leading actor Chan Shek-Sau (石修) and actress Louise Lee (李司棋), and “Miss Five — A Taste of Life” (伍姑娘真識食), hosted by famous actress Christine Ng with her beloved friends, focused on Hong Kong’s local flavor and received high acclaim.

After the travel reality show “Trips with Mom” (帶阿媽去旅行), we continued this year with two brand new travelogues “Trips with Kids” (帶阿B去旅行) and “Trips with Guitar” (帶結他去旅行), featuring challenging parenthood and up-and-coming singer-songwriters. In parallel, “Emergency Vets” (寵物ER) remained our unique signature programme in the market. The pet reality programme “Dogs Savior” (寵物狗救星) which highlighted dog rehabilitation was likewise loved by animal lovers.

OUTLOOK

Looking ahead, both global and local economies remain challenging and competitive pressure would not abate. We are well prepared and positioned.

We will continue to invest in programming across platforms, HD upgrades, customer service improvements, network enhancement for higher speed broadband service, as well as new marketing and media initiatives to sharpen our competitiveness.

Fantastic TV is preparing for the launch of its integrated Cantonese channel latest by May 2017. This will supplement our existing services to give us more scale and enhance our overall competitiveness.

FINANCIAL REVIEW

A. REVIEW OF 2016 INTERIM RESULTS

Consolidated revenue decreased by HK\$50 million or 7% to HK\$710 million.

Operating costs before depreciation decreased by 5% to HK\$734 million. Programming decreased by 7%, selling, customer services, general & administrative expenses 5% and cost of sales 1%, while network cost increased by 2%.

EBITDA loss was HK\$24 million (2015: HK\$15 million). Net loss was HK\$135 million (2015: HK\$121 million). Basic and diluted loss per share was HK\$0.07 (2015: HK\$0.06).

B. SEGMENTAL INFORMATION

Television

Revenue decreased by 8% to HK\$526 million on lower subscription and advertising income. Operating costs before depreciation decreased by 4% to HK\$570 million. EBITDA loss was HK\$44 million (2015: HK\$27 million).

Internet & Multimedia

Revenue decreased by 3% to HK\$168 million. Operating costs before depreciation decreased by 6% to HK\$97 million. EBITDA increased by 1% to HK\$71 million (2015: HK\$71 million).

C. LIQUIDITY AND FINANCIAL RESOURCES

As of June 30, 2016, the Group had net debt of HK\$393 million, as compared to HK\$212 million at June 30, 2015. The ratio of net debt to total equity was 57.5% (2015: 22.8%).

Consolidated net asset value was HK\$684 million, or HK\$0.34 per share.

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

Capital expenditure during the period amounted to HK\$110 million (2015: HK\$79 million). Major items included network equipment, TV production and broadcast facilities as well as the new FanHub set-top-box.

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, 2016, 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 borrowings up to HK\$806 million (2015: HK\$406 million), of which HK\$415 million (2015: HK\$230 million) was utilised by the subsidiaries.

E. HUMAN RESOURCES

The Group had 2,176 employees at the end of June 2016 (2015: 2,227). Total gross salaries and related costs incurred in the period amounted to HK\$352 million (2015: HK\$354 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2016 – unaudited

	Note	Six months ended June 30,	
		2016 HK\$'000	2015 HK\$'000
Revenue	2,3	709,876	759,573
Programming costs		(424,423)	(458,459)
Network expenses		(104,288)	(102,173)
Selling, general and administrative and other operating expenses		(162,926)	(171,293)
Cost of sales		(42,086)	(42,418)
Loss from operations before depreciation		(23,847)	(14,770)
Depreciation	4	(109,082)	(112,423)
Loss from operations	3	(132,929)	(127,193)
Interest income		2	3
Finance costs, net		(2,128)	(1,291)
Non-operating expenses		(427)	(727)
Loss before taxation	4	(135,482)	(129,208)
Income tax	5	700	7,743
Loss for the period		(134,782)	(121,465)
Attributable to:			
Equity shareholders of the Company		(134,782)	(121,465)
Loss per share	6		
Basic		(6.7) cents	(6.0) cents
Diluted		(6.7) cents	(6.0) cents

The notes on pages 11 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2016 – unaudited

	Six months ended June 30,	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	(134,782)	(121,465)
Other comprehensive income for the period (after reclassification adjustment):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(320)	10
Total comprehensive income for the period	(135,102)	(121,455)
Attributable to:		
Equity shareholders of the Company	(135,102)	(121,455)

The notes on pages 11 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016 – unaudited

	Note	At June 30, 2016 (unaudited) HK\$'000	At December 31, 2015 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	873,000	873,803
Programming library	8	153,249	156,531
Intangible assets	9	3,767	3,767
Interest in associate		–	–
Deferred tax assets	13	305,915	308,884
Other non-current assets		66,331	62,588
		1,402,262	1,405,573
Current assets			
Inventories		14,188	14,891
Accounts receivable from trade debtors	10	39,914	68,096
Deposits, prepayments and other receivables		49,493	28,060
Amounts due from fellow subsidiaries		702	79
Cash and cash equivalents		21,854	82,427
		126,151	193,553
Current liabilities			
Amounts due to trade creditors	11	10,492	33,138
Accrued expenses and other payables		182,644	214,532
Receipts in advance and customers' deposits		177,736	170,392
Interest bearing borrowings		415,000	300,000
Current taxation	13	151	150
Amounts due to fellow subsidiaries		34,599	34,308
Amount due to immediate holding company		2,422	1,614
		823,044	754,134
Net current liabilities		(696,893)	(560,581)
Total assets less current liabilities		705,369	844,992
Non-current liabilities			
Deferred tax liabilities	13	13,286	17,247
Other non-current liabilities		8,212	8,772
		21,498	26,019
NET ASSETS		683,871	818,973
CAPITAL AND RESERVES			
Share capital	12	6,857,599	6,857,599
Reserves		(6,173,728)	(6,038,626)
TOTAL EQUITY		683,871	818,973

The notes on pages 11 to 21 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016 – unaudited

	Attributable to equity shareholders of the Company					
	Share capital HK\$'000	Special capital reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Total reserves HK\$'000	Total equity HK\$'000
Balance at January 1, 2015	6,857,599	13,984	4,104	(5,823,155)	(5,805,067)	1,052,532
Changes in equity for the six months ended June 30, 2015:						
Loss for the period	–	–	–	(121,465)	(121,465)	(121,465)
Other comprehensive income	–	–	10	–	10	10
Total comprehensive income	–	–	10	(121,465)	(121,455)	(121,455)
Balance at June 30, 2015	6,857,599	13,984	4,114	(5,944,620)	(5,926,522)	931,077
Balance at January 1, 2016	6,857,599	13,985	3,643	(6,056,254)	(6,038,626)	818,973
Changes in equity for the six months ended June 30, 2016:						
Loss for the period	–	–	–	(134,782)	(134,782)	(134,782)
Other comprehensive income	–	–	(320)	–	(320)	(320)
Total comprehensive income	–	–	(320)	(134,782)	(135,102)	(135,102)
Balance at June 30, 2016	6,857,599	13,985	3,323	(6,191,036)	(6,173,728)	683,871

The notes on pages 11 to 21 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2016 – unaudited

	Six months ended June 30,	
	2016 HK\$'000	2015 HK\$'000
Operating activities		
Loss before taxation	(135,482)	(129,208)
Adjustments for:		
Finance costs, net	2,128	1,291
Interest income	(2)	(3)
Depreciation	109,082	112,423
Amortisation of programming library	52,300	62,005
Others	690	1,186
Operating profit before changes in working capital	28,716	47,694
Changes in working capital	(47,100)	(77,303)
Cash used in operations	(18,384)	(29,609)
Interest received	2	3
Overseas tax paid	(288)	(353)
Net cash used in operating activities	(18,670)	(29,959)
Investing activities		
Purchase of property, plant and equipment	(106,349)	(76,714)
Other net investing activities	(50,527)	(67,578)
Net cash used in investing activities	(156,876)	(144,292)
Financing activities		
Drawdown of interest bearing borrowings	115,000	130,000
Net cash generated from financing activities	115,000	130,000
Net decrease in cash and cash equivalents	(60,546)	(44,251)
Effect of foreign exchange rate changes	(27)	2
Cash and cash equivalents at January 1	82,427	62,382
Cash and cash equivalents at June 30	21,854	18,133

The notes on pages 11 to 21 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation and comparative figures

This unaudited interim financial report has been 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 the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the financial year ended December 31, 2015 that is included in the interim financial report as comparative information does not constitute the company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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

2. Revenue

Revenue 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, 2016 and 2015:

	Television		Internet and multimedia		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	519,195	561,860	168,256	173,387	22,425	24,326	709,876	759,573
Inter-segment revenue	7,068	7,957	100	125	4,445	5,012	11,613	13,094
Reportable segment revenue	526,263	569,817	168,356	173,512	26,870	29,338	721,489	772,667
Reportable segment results ("EBITDA")	(44,020)	(27,091)	71,193	70,664	(48,234)	(55,510)	(21,061)	(11,937)
Reportable segment results ("EBIT")	(112,660)	(95,586)	31,977	27,983	(49,460)	(56,757)	(130,143)	(124,360)
Inter-segment elimination							(2,786)	(2,833)
Loss from operations							(132,929)	(127,193)
Interest income							2	3
Finance costs, net							(2,128)	(1,291)
Non-operating expenses							(427)	(727)
Income tax							700	7,743
Loss for the period							(134,782)	(121,465)

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

4. Loss before taxation

Loss before taxation is stated after charging:

	Six months ended June 30,	
	2016 HK\$'000	2015 HK\$'000
Depreciation		
— assets held for use under operating leases	14,752	15,651
— other assets	94,330	96,772
	109,082	112,423
Amortisation of programming library*	52,300	62,005
Staff costs	315,379	318,624
Contributions to defined contribution retirement plans	17,684	17,363
Cost of inventories	3,434	4,302
Interest expenses on borrowings	2,128	1,291
Auditors' remuneration	1,570	1,521
Non-operating expenses		
— net loss on disposal of property, plant and equipment	427	727

* 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,	
	2016	2015
	HK\$'000	HK\$'000
Current tax — Overseas		
Tax for the period	292	307
Deferred tax (Note 13(b))		
Utilisation of prior years' tax losses recognised	16,072	12,461
Benefit of previously unrecognised tax losses now recognised	(15,683)	(15,614)
Reversal of temporary differences	(1,381)	(4,897)
	(992)	(8,050)
Income tax	(700)	(7,743)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2015: 16.5%) to the six months ended June 30, 2016. 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\$134,782,000 (2015: HK\$121,465,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2015: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2016 and 2015.

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

7. Property, plant and equipment

	HK\$'000
Net book value at January 1, 2016	873,803
Additions — Network, decoders, cable modems and television production systems	105,266
— Others	4,577
Disposals	(618)
Depreciation	(109,082)
Impairment loss	(263)
Reclassification to inventories	(75)
Exchange reserve	(608)
Net book value at June 30, 2016	873,000

8. Programming library

	HK\$'000
Net book value at January 1, 2016	156,531
Additions	49,018
Amortisation	(52,300)
Net book value at June 30, 2016	153,249

9. Intangible assets

	At June 30, 2016	At December 31, 2015
	HK\$'000	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) based on the invoice date is set out as follows:

	At June 30, 2016 HK\$'000	At December 31, 2015 HK\$'000
0 to 30 days	13,944	18,178
31 to 60 days	5,479	19,661
61 to 90 days	8,596	12,701
Over 90 days	11,895	17,556
	39,914	68,096

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 based on the invoice date is set out as follows:

	At June 30, 2016 HK\$'000	At December 31, 2015 HK\$'000
0 to 30 days	3,025	3,476
31 to 60 days	5,152	13,874
61 to 90 days	1,914	10,773
Over 90 days	401	5,015
	10,492	33,138

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

12. Share capital

Issued share capital

	At June 30, 2016		At December 31, 2015	
	No. of shares		No. of shares	
	('000)	HK\$'000	('000)	HK\$'000
Ordinary shares, issued and fully paid:				
At January 1	2,011,512	6,857,599	2,011,512	6,857,599
At June 30 and December 31	2,011,512	6,857,599	2,011,512	6,857,599

13. Income tax in the consolidated statement of financial position

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

	At June 30, 2016	At December 31, 2015
	HK\$'000	HK\$'000
Overseas taxation	151	150

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:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At January 1, 2016	53,878	(345,515)	(291,637)
(Credited)/charged to consolidated statement of profit or loss (<i>Note 5</i>)	(1,381)	389	(992)
At June 30, 2016	52,497	(345,126)	(292,629)
	At June 30, 2016	At December 31, 2015	
	HK\$'000	HK\$'000	
Net deferred tax assets recognised in the consolidated statement of financial position	(305,915)	(308,884)	
Net deferred tax liabilities recognised in the consolidated statement of financial position	13,286	17,247	
	(292,629)	(291,637)	

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

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, 2016 HK\$'000	At December 31, 2015 HK\$'000
Future benefit of tax losses	444,136	422,310
Impairment loss for bad and doubtful accounts	48	50
	444,184	422,360

14. Capital commitments

Capital commitments outstanding as of June 30, 2016 not provided for in the interim financial report were as follows:

	At June 30, 2016 HK\$'000	At December 31, 2015 HK\$'000
Property, plant and equipment		
— Authorised and contracted for	18,845	24,744
— Authorised but not contracted for	270,479	245,098
	289,324	269,842

15. Contingent liabilities

At June 30, 2016, 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 a bank and a fellow subsidiary totally HK\$806,000,000 (December 31, 2015: HK\$606,000,000) in respect of overdraft and guarantee facilities to the subsidiaries. Of this amount, at June 30, 2016, HK\$415,000,000 (December 31, 2015: HK\$300,000,000) was utilised by the subsidiaries.

As at the end of the reporting period, the Company has issued three separate guarantees to a bank and one guarantee to a fellow subsidiary in respect of loan facilities granted to two wholly owned subsidiaries. As at June 30, 2016, the directors do not consider it probable that a claim will be made against the Company under any of the guarantee. 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\$415,000,000 (December 31, 2015: HK\$300,000,000).

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, 2015 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, 2016.

17. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2016 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 2, 2016.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code 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”) were met by the Company, with the exception of one deviation, namely, Code Provision A.2.1 which provides for the roles of chairman and chief executive (or chief executive officer) to be performed by different individuals. The relevant arrangement is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. 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 (“INEDs”).

CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted 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 and all the Directors have confirmed that they have complied with the required standard set out in the Model Code during the period under review.

DIRECTORS’ INTERESTS IN SECURITIES

(i) Interests in Shares and Debt Securities

At June 30, 2016, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt 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). The percentages (where applicable) which the relevant shares represented as compared to the total number of shares in issue of the five relevant companies respectively are also set out below:

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(i) Interests in Shares and Debt Securities *(continued)*

	Quantity held (percentage based on number of shares in issue, where applicable)
<hr/>	
The Company — Ordinary Shares	
Stephen T H Ng	1,265,005 (0.0629%)
Wheelock — Ordinary Shares <i>(Note 1)</i>	
Stephen T H Ng	300,000 (0.0148%)
Wharf — Ordinary Shares <i>(Note 1)</i>	
Stephen T H Ng	804,445 (0.0265%)
Wharf Finance (No. 1) Limited	
— HKD Fixed Rate Notes due 2020	
Roger K H Luk <i>(Note 2)</i>	HK\$4,000,000
Wheelock Finance Limited	
— HKD Guaranteed Notes due 2017	
Roger K H Luk <i>(Note 2)</i>	HK\$2,000,000

Notes:

(1) *The interests in shares disclosed above do not include interests in share options of the Company's associated corporations held by Directors of the Company as at June 30, 2016. Details of such interests in share options are separately set out below under sub-sections "(ii) Interests in Share Options of Wheelock" and "(iii) Interests in Share Options of Wharf".*

(2) *These represent interests held jointly with another person.*

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(ii) Interests in Share Options of Wheelock

There was in existence during the financial period a share option scheme of Wheelock (the "Wheelock's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the six months ended June 30, 2016 by the Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the Wheelock's Scheme:

Name of Director	Date of grant (Day/Month/Year)	Number of Wheelock's shares under option		Subscription price per share (HK\$)	Vesting/ exercise period (Day/Month/Year)
		As at January 1, 2016	As at June 30, 2016 (percentage based on number of shares in issue)		
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.0738%)	39.98	15/06/2013 — 14/06/2018

Note:

The share options of Wheelock outstanding as at both January 1, 2016 and June 30, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wheelock's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

(iii) Interests in Share Options of Wharf

There was in existence during the financial period a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the six months ended June 30, 2016 by the Directors of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(iii) Interests in Share Options of Wharf *(continued)*

Name of Director	Total number of Wharf's shares under option held as at June 30, 2016 (percentage based on number of shares in issue)	Date of grant (Day/Month/Year)	Number of Wharf's shares under option		Subscription price per share (HK\$)	Vesting/ exercise period (Day/Month/Year)
			As at January 1, 2016	As at June 30, 2016		
Stephen T H Ng	3,500,000 (0.1155%)	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 — 04/07/2016 ⁽¹⁾
		05/06/2013	2,000,000	2,000,000	70.20	06/06/2013 — 05/06/2018 ⁽²⁾
Paul Y C Tsui	2,200,000 (0.0726%)	04/07/2011	1,200,000	1,200,000	55.15	05/07/2011 — 04/07/2016 ⁽¹⁾
		05/06/2013	1,000,000	1,000,000	70.20	06/06/2013 — 05/06/2018 ⁽²⁾

Notes:

- (1) The share options of Wharf granted on July 4, 2011 outstanding as at both January 1, 2016 and June 30, 2016 as stated above were vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively, with one exception that the relevant options as at June 30, 2016 held by Mr Paul Y C Tsui were vested in four tranches, with each tranche covering options for 300,000 Wharf's shares becoming exercisable from 5th of July in the years 2012, 2013, 2014 and 2015 respectively.
- (2) The share options of Wharf granted on June 5, 2013 outstanding as at both January 1, 2016 and June 30, 2016 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf's share options, i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.

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, 2016 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 as at June 30, 2016.

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 voting shares of the Company as at June 30, 2016, 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	Number of Ordinary Shares (percentage based on number of shares in issue)
(i) The Wharf (Holdings) Limited	1,485,259,171 (73.84%)
(ii) Wheelock and Company Limited	1,485,259,171 (73.84%)
(iii) HSBC Trustee (C.I.) Limited ("HSBC CI")	1,485,259,171 (73.84%)

Notes:

- (1) The total number of shares of the Company in issue as at June 30, 2016 was 2,011,512,400.
- (2) Duplication occurs in respect of the shareholdings stated against parties (i) to (iii) above to the extent that they represented the same block of shares.
- (3) HSBC CI's deemed shareholding interests stated above were held by virtue of its 48.98% shareholding interest in Wheelock. HSBC CI held the interest in Wheelock as trustee of a trust.
- (4) Wheelock's deemed shareholding interests stated above were held by virtue of 60.01% shareholding interest in Wharf which were held through, *inter alia*, its two wholly-owned subsidiaries, namely, Wheelock Investments Limited and WF Investment Partners Limited.
- (5) 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, 2016, 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 2016, of all those 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 (2015: 1.8)	2.9 (2015: 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, 2016, with the amounts of such discretionary annual bonus(es) fixed/decided unilaterally by the employer(s).

- (ii) Given below is the latest information regarding major appointment(s) in respect of all the present Director(s) of the Company for whom there have been changes 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 of appointment as Director(s) of the Company):

Director(s)	Change(s) in other major appointment(s)
Stephen T H Ng	Re-designated as Chairman of Hong Kong General Chamber of Commerce and appointed as Council Member of Hong Kong Trade Development Council both in May 2016
Roger K H Luk	(1) Ceased to be Member of The Town Planning Board from April 2016 (2) Appointed as Non-Executive Director (non-official) of Urban Renewal Authority in May 2016

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

Kevin C. Y. Hui

Company Secretary

Hong Kong, August 2, 2016

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 INEDs, 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 the 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 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.