



有線寬頻 i-CABLE

i-CABLE COMMUNICATIONS LIMITED

STOCK CODE: 1097

# Interim Report 2017



## RESULTS HIGHLIGHTS

- The Group's financial performance in the first half of 2017 was seriously affected by the decline of advertising and subscription revenues, partly due to the prolonged uncertainties about the Group's future since early March.
- The advertising market remained quite weak generally and was exacerbated by competition from free TV, digital and OTT platforms. On the subscription business front, contraction of customer base remained but ARPU continued to improve.
- Fantastic TV launched its Cantonese channel in May and is adopting an incremental initial approach to the market.
- In April, the Group proposed an Open Offer, underwritten by Forever Top (Asia) Limited, and a Loan Capitalisation to raise about HK\$1 billion of new equity. All major regulatory hurdles have been cleared.
- New equity is expected to be injected by September 2017 to address uncertainties about the Group's funding. Upon the close of the Open Offer and the completion of the Loan Capitalisation, Forever Top (Asia) Limited will become the Controlling Shareholder.
- In May 2017, the Group accepted renewal of its Pay TV Licence for a period of 12 years until 31 May 2029. Its Unified Carrier Licence is valid until 17 January 2030 and Fantastic TV's Free TV Licence until 30 May 2028.

## GROUP RESULTS (unaudited)

The unaudited Group loss attributable to Shareholders for the six months ended June 30, 2017 was HK\$141 million (2016: HK\$135 million). Basic and diluted loss per share were both HK\$0.07 (2016: HK\$0.07).

## INTERIM DIVIDEND

No dividend will be paid for the six months ended June 30, 2017 (2016: Nil).

## **BUSINESS REVIEW**

### **OPERATING ENVIRONMENT**

The Group's financial performance in the first half of 2017 was seriously affected by the decline of advertising and subscription revenues, partly due to the prolonged uncertainties about the Group's future since early March. In addition, the advertising market remained quite weak generally and was exacerbated by competition from free TV, digital and OTT platforms. On the subscription business front, contraction of customer base remained but ARPU continued to improve.

Fantastic TV launched its Cantonese channel in May and is adopting an incremental initial approach to the market. By pooling creative, production as well as network expertise, we would more effectively build scale in programming and in airtime sales, as well as gain more buying and selling power, more operational efficiency and access to a bigger pool of talents and new ideas.

### **SUBSCRIPTION BUSINESSES**

Subscription ARPU continued its growth trend, amidst continuing contraction of the customer base. Business initiatives are being launched to contain customer attrition.

FANhub, launched in early 2016, is an enhanced Pay TV service with a full featured, "video-on-demand", interactive HD (high definition) set top box to enrich customer experience. Our marketing team is promoting this service to facilitate customer retention, acquisition as well as upselling, and the take up rate had met our expectations.

It has always been our aim to offer distinct and premium service to our customers. The enriched HD channels and enhanced i-CABLE App would meet different customers' expectations and drive new revenue.

Network enhancement to higher-speed broadband GPON service was progressing on track. The faster and more reliable broadband service would strengthen our competitiveness.

## PROGRAMMING

Our self-produced entertainment programmes were repositioned to focus on local and international entertainment news, to boost viewing convenience and foster relationships with different partners in the entertainment industry. We offered a wide range of movie choices with emphasis on local market flavor. We provided not only mass appealing but also critically acclaimed movies to subscribers. “The Yuppy Fantasia 3” (小男人週記3之吾家有喜) was the second top grossing local films during the most recent CNY holidays and “Weeds on Fire” (點五步), which portrayed adolescent regrets and embodied Hong Kong’s never give up spirit, had won various film awards.

Fantastic TV launched its Cantonese channel in May 2017. This marked a significant milestone in our history since the launch of pay TV services in October 1993. The channel broadcasts more than 4,500 hours a year of quality self-produced and acquired programmes. It targets to bring family members together to watch their favorite programmes, including entertainment and variety, drama, lifestyle, kids, finance, news, current affairs, art and culture. The launch highlights were “Chapmanology” (杜汶澤食住上), “Trips with Mom” (帶阿媽去旅行) and “Hong Kong Wonders” (香港有寶證), which were fused with local flavor.

Cable News was ranked the number one news and finance channel in the Appreciation Index for the first two quarters of 2017. It also received two 37th Annual Telly Awards, five HSMC Business Journalism Awards and two 16th Consumer Rights Reporting Awards.

## OUTLOOK

In April 2017, the Group proposed an Open Offer, underwritten by Forever Top (Asia) Limited to raise about HK\$704 million (before expenses), and a Loan Capitalisation in the amount of HK\$300 million. New equity is expected to be injected by September 2017 to address uncertainties about the Group’s funding. Upon the close of the Open Offer and the completion of the Loan Capitalisation, Forever Top (Asia) Limited will become the Controlling Shareholder.

In May 2017, the Group accepted renewal of its Pay TV Licence for a period of 12 years until 31 May 2029. Its Unified Carrier Licence is valid until 17 January 2030 and Fantastic TV’s Free TV Licence until 30 May 2028.

Initiatives to contain costs have been more effective than those to improve revenues. More initiatives will be introduced in the rest of 2017. They may or may not produce the results that we need but we will keep the momentum to transform the Group into a more robust business.

Against that backdrop, the Group will exercise additional prudence in continuing to invest in programming, content enrichment, HD/OTT upgrades, customer service improvement, GPON for higher speed broadband service and new businesses, as well as new marketing and media initiatives to sharpen our competitiveness.

## FINANCIAL REVIEW

### A. REVIEW OF 2017 INTERIM RESULTS

Consolidated revenue decreased by HK\$69 million or 10% to HK\$641 million.

Operating costs before depreciation increased by 3% to HK\$759 million. Network related cost increased by 17% (mainly due to a provision for Government rent recently assessed on in-building wiring network for the period since 1997, to which the Group has objected), programming increased by 3%, while cost of sales decreased by 10% and selling, customer services, general & administrative expenses were unchanged.

EBITDA loss was HK\$118 million (2016: HK\$24 million). Net loss was HK\$141 million (2016: HK\$135 million), after recognition of HK\$82 million of profit on sale of surplus properties. Basic and diluted loss per share was HK\$0.07 (2016: HK\$0.07).

### B. SEGMENTAL INFORMATION

#### Television

Revenue decreased by 11% to HK\$471 million on lower subscription and advertising income. Operating costs before depreciation increased by 3% to HK\$590 million. EBITDA loss was HK\$119 million (2016: HK\$44 million).

#### Internet & Multimedia

Revenue decreased by 4% to HK\$162 million. Operating costs before depreciation increased by 12% to HK\$109 million. EBITDA decreased by 25% to HK\$54 million (2016: HK\$71 million).

### C. LIQUIDITY AND FINANCIAL RESOURCES

As of June 30, 2017 the Group had net debt of HK\$662 million, as compared to HK\$393 million at June 30, 2016.

Consolidated net asset value was HK\$364 million, or HK\$0.18 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\$109 million (2016: HK\$110 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, new equity injection and credit facilities.

#### **D. CONTINGENT LIABILITIES**

At June 30, 2017, 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 (2016: HK\$806 million), of which HK\$705 million (2016: HK\$415 million) was utilised by the subsidiaries.

#### **E. HUMAN RESOURCES**

The Group had 1,940 employees at the end of June 2017 (2016: 2,176). Total gross salaries and related costs incurred in the period amounted to HK\$345 million (2016: HK\$352 million).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2017 – unaudited

	Note	Six months ended June 30,	
		2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	2, 3	<b>641,112</b>	709,876
Programming costs		<b>(437,213)</b>	(424,423)
Network expenses		<b>(122,293)</b>	(104,288)
Selling, general and administrative and other operating expenses		<b>(161,492)</b>	(162,926)
Cost of sales		<b>(37,763)</b>	(42,086)
<b>Loss from operations before depreciation</b>		<b>(117,649)</b>	(23,847)
Depreciation	4	<b>(104,191)</b>	(109,082)
<b>Loss from operations</b>	3	<b>(221,840)</b>	(132,929)
Interest income		<b>62</b>	2
Finance costs, net		<b>(4,686)</b>	(2,128)
Non-operating income/(expenses)		<b>82,890</b>	(427)
<b>Loss before taxation</b>	4	<b>(143,574)</b>	(135,482)
Income tax	5	<b>2,437</b>	700
<b>Loss for the period</b>		<b>(141,137)</b>	(134,782)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(141,137)</b>	(134,782)
<b>Loss per share</b>	6		
Basic		<b>(7.0) cents</b>	(6.7) cents
Diluted		<b>(7.0) cents</b>	(6.7) 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, 2017 – unaudited

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(141,137)</b>	(134,782)
<b>Other comprehensive income for the period (after reclassification adjustment):</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>81</b>	(320)
<b>Total comprehensive income for the period</b>	<b>(141,056)</b>	(135,102)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(141,056)</b>	(135,102)

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017 – unaudited

	Note	At June 30, 2017 (unaudited) HK\$'000	At December 31, 2016 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	7	889,624	894,039
Programming library	8	166,205	169,307
Intangible assets	9	1,218	2,062
Interest in associate		–	–
Deferred tax assets	13(b)	305,218	306,467
Other non-current assets		54,247	43,254
		<b>1,416,512</b>	1,415,129
<b>Current assets</b>			
Inventories		15,078	18,076
Accounts receivable from trade debtors	10	48,100	51,385
Deposits, prepayments and other receivables		35,050	34,926
Amounts due from fellow subsidiaries		171	204
Bank deposits and cash		43,186	105,814
		<b>141,585</b>	210,405
<b>Current liabilities</b>			
Amounts due to trade creditors	11	50,154	59,135
Accrued expenses and other payables		219,400	239,758
Receipts in advance and customers' deposits		170,012	183,821
Interest bearing borrowings		705,000	590,000
Current taxation	13(a)	89	113
Amounts due to fellow subsidiaries		35,096	26,129
Amount due to immediate holding company		–	3,229
		<b>1,179,751</b>	1,102,185
<b>Net current liabilities</b>		<b>(1,038,166)</b>	(891,780)
<b>Total assets less current liabilities</b>		<b>378,346</b>	523,349
<b>Non-current liabilities</b>			
Deferred tax liabilities	13(b)	5,314	9,210
Other non-current liabilities		8,690	8,741
		<b>14,004</b>	17,951
<b>NET ASSETS</b>		<b>364,342</b>	505,398
<b>CAPITAL AND RESERVES</b>			
Share capital	12	6,857,599	6,857,599
Reserves		(6,493,257)	(6,352,201)
<b>TOTAL EQUITY</b>		<b>364,342</b>	505,398

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, 2017 – unaudited

	Attributable to equity shareholders of the Company					
	Share capital	Special capital reserve	Exchange reserve	Revenue reserve	Total reserves	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at January 1, 2016</b>	6,857,599	13,985	3,643	(6,056,254)	(6,038,626)	818,973
<b>Changes in equity for the six months ended June 30, 2016:</b>						
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)
<b>Balance at June 30, 2016</b>	6,857,599	13,985	3,323	(6,191,036)	(6,173,728)	683,871
<b>Balance at January 1, 2017</b>	6,857,599	13,985	2,858	(6,369,044)	(6,352,201)	505,398
<b>Changes in equity for the six months ended June 30, 2017:</b>						
Loss for the period	–	–	–	(141,137)	(141,137)	(141,137)
Other comprehensive income	–	–	81	–	81	81
Total comprehensive income	–	–	81	(141,137)	(141,056)	(141,056)
<b>Balance at June 30, 2017</b>	6,857,599	13,985	2,939	(6,510,181)	(6,493,257)	364,342

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, 2017 – unaudited

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Loss before taxation	(143,574)	(135,482)
Adjustments for:		
Finance costs, net	4,686	2,128
Interest income	(62)	(2)
Depreciation	104,191	109,082
Amortisation of programming library	54,445	52,300
Others	(82,771)	690
<b>Operating (loss)/profit before changes in working capital</b>	<b>(63,085)</b>	28,716
Changes in working capital	(52,040)	(47,100)
<b>Cash used in operations</b>	<b>(115,125)</b>	(18,384)
Interest received	74	2
Overseas tax paid	(235)	(288)
<b>Net cash used in operating activities</b>	<b>(115,286)</b>	(18,670)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(95,462)	(106,349)
Other net investing activities	33,100	(50,527)
<b>Net cash used in investing activities</b>	<b>(62,362)</b>	(156,876)
<b>Financing activities</b>		
Drawdown of interest bearing borrowings	115,000	115,000
<b>Net cash generated from financing activities</b>	<b>115,000</b>	115,000
<b>Net decrease in cash and cash equivalents</b>	<b>(62,648)</b>	(60,546)
<b>Effect of foreign exchange rate changes</b>	<b>20</b>	(27)
<b>Cash and cash equivalents at January 1</b>	<b>105,814</b>	82,427
<b>Cash and cash equivalents at June 30</b>	<b>43,186</b>	21,854

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 2016 annual financial statements, except for accounting policy changes that are expected to be reflected in the 2017 annual financial statements.

The HKICPA has issued several of amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this unaudited interim financial report. 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, 2016 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, 2016 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; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance, except that the auditor’s report included a section headed “Material Uncertainty Related to Going Concern” to draw attention to certain events disclosed in note 1(b) to the consolidated financial statements. Such section is extracted from the Company’s annual report for the year ended December 31, 2016 which indicated a material uncertainty existed that may cast significant doubt on the Group’s ability to continue as a going concern. The auditor’s opinion was neither qualified nor modified in respect of this matter.

## **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, domestic free television programme service, 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, 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, 2017 and 2016:

	Television		Internet and multimedia		Unallocated		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue from external customers	466,184	519,195	162,192	168,256	12,736	22,425	641,112	709,876
Inter-segment revenue	4,515	7,068	104	100	2,550	4,445	7,169	11,613
Reportable segment revenue	470,699	526,263	162,296	168,356	15,286	26,870	648,281	721,489
Reportable segment results ("EBITDA")	(119,197)	(44,020)	53,667	71,193	(52,119)	(48,234)	(117,649)	(21,061)
Reportable segment results ("EBIT")	(184,876)	(112,660)	16,448	31,977	(53,412)	(49,460)	(221,840)	(130,143)
Inter-segment elimination							-	(2,786)
Loss from operations							(221,840)	(132,929)
Interest income							62	2
Finance costs, net							(4,686)	(2,128)
Non-operating income/(expenses)							82,890	(427)
Income tax							2,437	700
Loss for the period							(141,137)	(134,782)

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

### 4. Loss before taxation

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

	<b>Six months ended June 30,</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Depreciation		
— assets held for use under operating leases	<b>11,077</b>	14,752
— other assets	<b>93,114</b>	94,330
Amortisation of programming library*	<b>54,445</b>	52,300
Staff costs	<b>310,480</b>	315,379
Contributions to defined contribution retirement plans	<b>17,843</b>	17,684
Cost of inventories	<b>3,264</b>	3,434
Interest expenses on borrowings	<b>4,686</b>	2,128
Auditors' remuneration	<b>2,122</b>	1,570
Non-operating (income)/expenses		
— gain on disposal of property holding companies and real properties	<b>(82,478)</b>	—
— net (gain)/loss on disposal of plant and equipment	<b>(412)</b>	427

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

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

### 5. Income tax

	Six months ended June 30,	
	2017	2016
	HK\$'000	HK\$'000
Current tax — Overseas	211	292
Deferred taxation	(2,648)	(992)
	(2,437)	(700)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate at 16.5% (2016: 16.5%) to the six months ended June 30, 2017. 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\$141,137,000 (2016: HK\$134,782,000) and the weighted average number of ordinary shares outstanding during the period of 2,011,512,400 (2016: 2,011,512,400).

There were no potential diluted ordinary shares in existence during the periods ended June 30, 2017 and 2016.



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

### 7. Property, plant and equipment

	HK\$'000
Net book value at January 1, 2017	894,039
Additions — Network, decoders, cable modems and television production system	104,722
— Others	4,165
Disposals	(9,110)
Depreciation	(104,191)
Impairment losses	(119)
Reclassification to inventories	(13)
Exchange reserve	131
Net book value at June 30, 2017	889,624

### 8. Programming library

	HK\$'000
Net book value at January 1, 2017	169,307
Additions	51,343
Amortisation	(54,445)
Net book value at June 30, 2017	166,205

### 9. Intangible assets

	<b>Club Debentures</b> HK\$'000
Cost less impairment losses	
At January 1, 2017	2,062
Disposals	(844)
At June 30, 2017	1,218

## 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:

	<b>At June 30, 2017 HK\$'000</b>	At December 31, 2016 HK\$'000
0 to 30 days	<b>23,152</b>	16,530
31 to 60 days	<b>4,460</b>	15,421
61 to 90 days	<b>6,871</b>	8,524
Over 90 days	<b>13,617</b>	10,910
	<b>48,100</b>	51,385

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:

	<b>At June 30, 2017 HK\$'000</b>	At December 31, 2016 HK\$'000
0 to 30 days	<b>13,205</b>	17,012
31 to 60 days	<b>22,494</b>	21,945
61 to 90 days	<b>9,484</b>	12,271
Over 90 days	<b>4,971</b>	7,907
	<b>50,154</b>	59,135

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

### 12. Share capital

Issued share capital

	At June 30, 2017		At December 31, 2016	
	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, 2017 HK\$'000	At December 31, 2016 HK\$'000
Overseas taxation	89	113

**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:

<b>Deferred tax arising from:</b>	<b>Depreciation allowances in excess of related depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At January 1, 2017	54,375	(351,632)	(297,257)
Charged/(credited) to consolidated statement of profit or loss	1,147	(3,794)	(2,647)
At June 30, 2017	55,522	(355,426)	(299,904)

	<b>At June 30, 2017</b> HK\$'000	At December 31, 2016 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>(305,218)</b>	(306,467)
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>5,314</b>	9,210
	<b>(299,904)</b>	(297,257)

## 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:

	<b>At June 30, 2017 HK\$'000</b>	At December 31, 2016 HK\$'000
Future benefit of tax losses	<b>490,550</b>	470,059
Impairment loss for bad and doubtful accounts	<b>37</b>	28
	<b>490,587</b>	470,087

### 14. Capital commitments

Capital commitments outstanding as of June 30, 2017 not provided for in the interim financial report were as follows:

	<b>At June 30, 2017 HK\$'000</b>	At December 31, 2016 HK\$'000
Property, plant and equipment		
— Authorised and contracted for	<b>9,213</b>	17,595
— Authorised but not contracted for	<b>188,763</b>	210,733
	<b>197,976</b>	228,328

### 15. Contingent liabilities

At June 30, 2017, 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 of HK\$806,000,000 (December 31, 2016: HK\$806,000,000) in respect of overdraft and guarantee facilities to the subsidiaries. Of this amount, at June 30, 2017, HK\$705,000,000 (December 31, 2016: HK\$590,000,000) 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, 2017, 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\$705,000,000 (December 31, 2016: HK\$590,000,000).

### 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, 2016 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, 2017.

### 17. Review by the audit committee

The unaudited interim financial report for the six months ended June 30, 2017 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, 2017.

## **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.

## **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, 2017, 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)*

	<b>Quantity held</b> (percentage based on number of shares in issue, where applicable)
<hr/>	
<b>The Company</b> — Ordinary Shares	
Stephen T H Ng	1,265,005 (0.0629%)
<b>Wheelock</b> — Ordinary Shares <i>(Note 1)</i>	
Stephen T H Ng	176,000 (0.0086%)
Paul Y C Tsui	107,000 (0.0052%)
<b>Wharf</b> — Ordinary Shares <i>(Note 1)</i>	
Stephen T H Ng	9,445 (0.0003%)
<b>Wharf Finance (No. 1) Limited</b>	
— HKD Fixed Rate Notes due 2020	
Roger K H Luk <i>(Note 2)</i>	HK\$4,000,000
<b>Wheelock Finance Limited</b>	
— 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, 2017. 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, 2017 by the Directors of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the Wheelock's Scheme:

Name of Director	Total number as at June 30, 2017 (percentage based on number of shares in issue)	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, 2017	Exercised during the period	As at June 30, 2017		
Paul Y C Tsui	1,200,000 (0.06%)	14/06/2013	1,500,000	(1,500,000)	–	39.98	15/06/2013 – 14/06/2018
		07/07/2016	1,200,000	–	1,200,000	36.60	08/07/2017 – 07/07/2021 <sup>(1)</sup>

Notes:

- (1) The share options of Wheelock granted on July 7, 2016 (exercisable from July 8, 2016 to July 7, 2021) outstanding as at both January 1, 2017 and June 30, 2017 were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wheelock's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th of July in the years 2017, 2018, 2019 and 2020 respectively.
- (2) Except as disclosed above, no share option of Wheelock held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no share option of Wheelock was granted to any Director of the Company during the financial period.

### (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, 2017 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 as at June 30, 2017 (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, 2017	Exercised during the period	As at June 30, 2017		
Stephen T H Ng	6,000,000 (0.20%)	05/06/2013	2,000,000	–	2,000,000	70.20	06/06/2013 – 05/06/2018 <sup>(1)</sup>
		07/07/2016	5,000,000	(1,000,000)	4,000,000	46.90	08/07/2017 – 07/07/2021 <sup>(2)</sup>
Paul Y C Tsui	2,200,000 (0.07%)	05/06/2013	1,000,000	–	1,000,000	70.20	06/06/2013 – 05/06/2018 <sup>(1)</sup>
		07/07/2016	1,200,000	–	1,200,000	46.90	08/07/2017 – 07/07/2021 <sup>(2)</sup>

*Notes:*

- (1) *The share options of Wharf granted on June 5, 2013 (exercisable from June 6, 2013 to June 5, 2018) outstanding as at both January 1, 2017 and June 30, 2017 were 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 Wharf's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranches being exercisable from 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.*
- (2) *The share options of Wharf granted on July 7, 2016 (exercisable from July 8, 2016 to July 7, 2021) outstanding as at both January 1, 2017 and June 30, 2017 were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares, and with the 1st, 2nd, 3rd and 4th tranches becoming exercisable from 8th of July in the years 2017, 2018, 2019 and 2020 respectively.*
- (3) *Except as disclosed above, no share option of Wharf held by Directors of the Company lapsed or was exercised or cancelled during the financial period and no share option of Wharf was granted to any Director of the Company during the financial period.*

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, 2017 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, 2017.

## 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, 2017, 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 as at June 30, 2017:

Names	Number of Ordinary Shares (percentage based on number of shares in issue)
(i) Wharf Finance Limited ("Wharf Finance")	841,987,090 (41.86%)
(ii) The Wharf (Holdings) Limited	2,327,246,261 (115.70%)
(iii) Wheelock and Company Limited	2,327,246,261 (115.70%)
(iv) HSBC Trustee (C.I.) Limited ("HSBC CI")	2,327,246,261 (115.70%)
(v) Forever Top (Asia) Limited ("Forever Top") (Note 7)	3,352,520,666 (166.67%)

Notes:

- (1) The total number of shares of the Company in issue as at June 30, 2017 was 2,011,512,400.
- (2) Wharf Finance was deemed by virtue of the SFO to be interested in the 841,987,090 new shares ("Loan Capitalisation Shares") to be issued to Wharf Finance or its nominee pursuant to the conditional loan capitalisation agreement dated April 14, 2017 entered into among the Company, Wharf Finance and Hong Kong Cable Television Limited ("HKCTV") in relation to the conversion of the sum of HK\$300 million, being part of the outstanding principal loan owing by HKCTV to Wharf Finance, to the Loan Capitalisation Shares.
- (3) Duplication occurs in respect of the shareholdings stated against parties (ii) to (iv) above to the extent that the shareholding of party (i) is entirely included in the shareholdings of parties (ii) to (iv) and shareholding of parties (ii) to (iv) represented the same block of shares.
- (4) HSBC CI's deemed shareholding interests stated above were held by virtue of its 48.78% shareholding interest in Wheelock. HSBC CI held the interest in Wheelock as trustee of a trust.
- (5) Wheelock's deemed shareholding interests stated above were held by virtue of its 60.99% shareholding interest in Wharf which were held through, inter alia, its two wholly-owned subsidiaries, namely, Wheelock Investments Limited and WF Investment Partners Limited.
- (6) Wharf's deemed shareholding interests stated above were held through its wholly-owned subsidiary, namely, Wharf Communications Limited. As Wharf Finance is an indirect wholly-owned subsidiary of Wharf, Wharf was also deemed to be interested in the shares in which Wharf Finance was interested in by virtue of the SFO.
- (7) Forever Top was deemed to be interested in the 3,352,520,666 offer shares agreed to be fully underwritten by Forever Top as underwriter pursuant to the underwriting agreement dated April 14, 2017 (as amended and supplemented by a letter dated August 5, 2017) entered into among the Company, Forever Top and certain underwriter guarantors in relation to the Company's open offer on the basis of five offer shares for every three existing shares held as announced by the Company on April 20, 2017.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)*

All the interests stated above represented long positions and as at June 30, 2017, 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 2017, 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:

<b>Director</b>	<b>Salary and various allowances <sup>(1)</sup></b> HK\$ Million	<b>Discretionary annual bonus in cash <sup>(2)</sup></b> HK\$ Million
Stephen T H Ng	2 (2016: 1.9)	2.9 (2016: 2.9)

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, 2017, 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):

<b>Director(s)</b>	<b>Change(s) in other major appointment(s)</b>
Herman S M Hu	<p>Ceased to be Member of Council on Human Reproductive Technology from May 2017</p> <p>Awarded the Honour of Silver Bauhinia Star (SBS) by the Hong Kong SAR Government on 30 June 2017</p>
Roger K H Luk	Ceased to be Treasurer of The Chinese University of Hong Kong from March 2017

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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, 2017

*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 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 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](mailto:i-cablecomm-ecom@hk.tricorglobal.com).*