

INTERIM 2012 REPORT

TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code:2383



2	Definitions
3	Chairman's Statement
4	Management's Discussion and Analysis
8	Independent Review Report
9	Interim Financial Information
16	Notes to the Condensed Consolidated Interim Financial Information
26	Disclosure of Interests
31	Corporate Governance
32	Other Information

Definitions

“Board”	means the board of Directors
“CETV”	means China Entertainment Television Broadcast Limited
“CKH”	means Cheung Kong (Holdings) Limited
“Company” or “TOM”	means TOM Group Limited
“Director(s)”	means the director(s) of the Company
“Group” or “TOM Group”	means the Company and its subsidiaries
“HWL”	means Hutchison Whampoa Limited
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the main board of the Stock Exchange
“Mainland” or “PRC”	means The People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Model Code”	means Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“New Option Scheme”	means the share option scheme adopted by the Company on 23 July 2004
“Old Option Scheme”	means the share option scheme adopted by the Company on 11 February 2000 (as amended) and terminated with effect from 4 August 2004
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

I am pleased to announce the results of TOM Group Limited and its subsidiaries for the six months ended 30 June 2012.

In the first six months of the year, TOM Group reported stable revenue of HK\$1,134 million, a slight increase of 1% as compared to the previous year. Operating loss narrowed by 48% to HK\$52 million, whereas loss attributable to shareholders reduced by 21% to HK\$102 million or 2.62 HK cents per share.

The Internet Group reported a noticeable 64% reduction in segment loss, while revenue stood at HK\$361 million. During the period, the Group stepped up efforts in rolling out its user-centric mobile Internet services including popular music and game applications with measurable growth in both number of users and downloads.

The Group's e-commerce business continued to deliver strong operational matrix. During the first half, the Ule (www.ule.com) joint-venture saw 2-time growth in gross merchandise value (GMV). The average value per transaction of Ule stood at RMB330, doubled the industry average. Moving forward, Ule will deepen its collaboration with China Post and further grow its user base and sales platforms to drive revenue for the Group.

The Publishing Group posted steady results for the reporting period. Segment revenue stood stable at HK\$503 million. Since Cité was awarded the right to operate a satellite channel in March, it has been working closely with the Television & Entertainment Group to co-produce programmes for cross-strait distribution. The Cité satellite channel is targeted to launch in Taiwan early next year.

The Television & Entertainment Group reported improved financial performance with an increase of 18% in revenue and a 15% reduction in segment loss during the period. CETV saw growth in both ratings and advertising income during the period. It continues to further expand coverage of its content and user interaction via its proprietary applications.

The Outdoor Media Group (OMG) continued to show improvement in operational efficiency. During the first half of the year, OMG posted a 12% increase in revenue with segment loss reduced considerably by 96%.

For the remainder of the year, TOM Group will continue to focus on financial and operating disciplines and its efforts in rolling out innovative services to further drive revenue for the Group.

I would like to take this opportunity to thank the management and all the staff of TOM Group for their hard work and dedication.

Frank Sixt
Chairman

Hong Kong, 30 July 2012

Management's Discussion and Analysis

Financial Highlights

	For the six months ended	
	30 June 2012	30 June 2011
	HK\$'000	HK\$'000
Revenue	1,133,855	1,122,139
Operating loss [#]	(52,049)	(99,811)
Loss attributable to equity holders of the Company	(101,847)	(128,516)
Loss per share (HK cents)	(2.62)	(3.30)

* Including share of results of associated companies and jointly controlled entities

Business Review

E-commerce – growth continued as revealed by KPI performances

Ule (www.ule.com), an online and offline e-shopping platform and joint-venture between TOM Group and China Post, reported further growth in various key performance indicators (KPIs). In the first half of the year, gross merchandise value (GMV) increased by 2 times year on year. Average value per transaction also increased by 16% in 6 months to RMB330, a double of the industry norm. During the same period, registered users grew by more than 70%, whereas repeated buyer rate stood at above 20%. The business outlook of Ule remains positive.

As Ule deepened its collaboration with China Post, more than 1.5 million co-branded debit cards have been issued in collaboration with the Postal Savings Bank to bring a seamless shopping experience for the Postal Savings Bank customers. Ule also launched the “Provincial Zones” in conjunction with 18 provincial posts, featuring unique and quality local specialties. Starting early 2012, Ule collaborated with the New Zealand post office to bring their local products to Mainland consumers, with a special focus on the New Zealand baby formula.

Internet – rapid adoption of innovative music and game services

For the reporting period, the Internet Group considerably narrowed its segment loss by 64%. As the Group introduced various mobile Internet products, both the user base and traffic volume reported robust growth by folds in the first half of the year. Downloads of game and music applications went up by 3 and 4 times respectively, whereas active users grew by 2 times. Paid users of PK games also increased by nearly 2 times. On the other hand, music social networking service “637.fm” has been recognised by the music industry as a promotion platform for the interaction between artists and fans. By the end of June, 637.fm has partnered with more than 20 record labels such as Taihe Rye Music and Ocean Butterflies etc, as well as over 60 popular artists including Yang Kun and Xu Fei etc.

Publishing – market leader and extending footprints in the Chinese-language digital publishing markets

The Publishing Group maintained stable revenue level as well as leadership in printed publishing, whereas digital publishing continued its growth momentum in the reporting period. The e-reading applications, which span across iPhone, iPad and Android, increased by over a fold as compared to the first half of the previous year. Among these applications, about 80% were paid. Gross downloads also grew by more than 3 times year on year. Recently, Pixnet rolled out an innovative digital media platform “7 Headlines” (www.7headlines.com), which blends personalised content and sharing, and features news aggregation services.

As the Publishing Group moves into the Chinese-language e-publishing markets, the joint-venture between Cité and Japanese publisher Kodansha has been launching an average of 20 popular Japanese books and comics in Chinese-language digital format every month. In the second half of the year, the Publishing Group will join The Straits Publishing & Distributing Group in Fujian to launch the new *Love Pregnancy* initiative in the Mainland across printed books, mobile Internet, website and microblogs etc. On the other hand, since Cité in Taiwan was awarded the right to operate a satellite channel, it has been working closely with the Television & Entertainment Group to co-produce programmes for cross-strait distribution.

The Publishing Group was again recognised amongst its industry peers for its excellence in quality control and title selection. *Nothing to Envy: Ordinary Lives in North Korea* was awarded “The 5th Hong Kong Book Prize”. Also, *Lulu and the Brontosaurus* was named among the top 10 best books in the Recommended Books of the “Dr. Book Chart” held by the Hong Kong Professional Teachers’ Union and the Leisure and Cultural Services Department. On the other hand, 《天香》 (translated title: *Heavenly Fragrance*) and 《四書》 (translated title: *Four Books*) won the “Recommendation Award” in “The Dream of the Red Chamber Award: The World’s Distinguished Novel in Chinese”. *CUP* magazine ranked 2nd-runner up in the news and current affairs category of “Magazine of The Year 2012” organised by *Marketing Magazine*.

Television & Entertainment and Outdoor Media saw improved revenue

The Television & Entertainment segment reported 18% revenue growth year on year. The Outdoor Media Group continued upgrading its media assets, and saw 12% increase in revenue as compared to the previous year.

Management's Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2012, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$854 million. A total of HK\$2,914 million financing facilities were available, of which HK\$2,217 million had been utilised as at 30 June 2012, to finance the Group's capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,217 million as at 30 June 2012. These included long-term bank loans of approximately HK\$2,073 million and short-term bank loans of approximately HK\$144 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 62% as at 30 June 2012, as compared to 59% as at 31 December 2011.

As at 30 June 2012, the Group had net current assets of approximately HK\$555 million, as compared to HK\$645 million as at 31 December 2011. As at 30 June 2012, the current ratio (Current assets/Current liabilities) of TOM Group was 1.44, compared to 1.50 as at 31 December 2011.

For the first six months of 2012, net cash generated from operating activities, before changes in working capital, interest and tax payments, amounted to HK\$49 million, as compared to HK\$5 million in the same period of 2011. Net cash used in operating activities, inclusive of changes in working capital, interest and tax payments, amounted to HK\$74 million, as compared to HK\$12 million in the same period of 2011.

Charges on Group Assets

As at 30 June 2012, the Group had restricted cash amounting to HK\$4 million, being bank deposits, mainly pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

Foreign Exchange Exposure

In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimise currency risk.

Contingent Liabilities

From 2008 to June 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2009 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT\$820 million (approximately HK\$213 million) in total in deriving the assessable profits of the subsidiary. This gave rise to a potential additional income tax liability to the Group of approximately NT\$205 million (approximately HK\$53 million). The subsidiary duly filed the petitions/appeals to the tax authority and requested for re-examination on the deductibility of the amortisation charge. In 2010, the petitions for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary appealed to the Court in Taiwan. In November 2010 and June 2011, the subsidiary won the 2004 and 2005 tax appeals respectively. In January and August 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 revised tax assessments respectively. In February and March 2012, the Court decided to revert the 2004 and 2005 tax assessments back for re-trial, on the opinion that appropriate laws and regulations have not been applied in drawing the conclusion of the original judgement for the 2004 and 2005 tax assessments. Up to the date of this financial information, the dates for the trials were not yet fixed by the Court.

Management has discussed the cases with its external tax representative. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Management is confident of a favourable outcome of the tax appeals/petitions and considers no provision is necessary at this stage.

Should the tax appeals and petitions by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2010 to 2012 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to 30 June 2012 to the Group thereon is approximately NT\$272 million (approximately HK\$71 million).

Employee Information

As at 30 June 2012, TOM Group had approximately 3,000 full-time employees. During the first six months of the year, employee costs, including Directors' emoluments, totalled HK\$309 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2011.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as operating profit/(loss) including share of results of associated companies and jointly controlled entities and segment profit/(loss) are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in the financial reporting.



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TOM GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 25, which comprises the condensed consolidated interim statement of financial position of TOM Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated interim income statement, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 July 2012

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Interim Financial Information

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2012

	Note	Unaudited	
		2012	2011
		HK\$'000	HK\$'000
Revenue	4	1,133,855	1,122,139
Cost of sales		(830,591)	(846,711)
Selling and marketing expenses		(129,882)	(132,681)
Administrative expenses		(87,956)	(83,870)
Other operating expenses		(158,341)	(159,120)
Other gains, net		13,922	6,989
Share of profits less losses of jointly controlled entities		10,038	(6,571)
Share of profits less losses of associated companies		(3,094)	14
	5	(52,049)	(99,811)
Finance income	6	9,958	8,437
Finance costs	6	(33,568)	(29,294)
Finance costs, net	6	(23,610)	(20,857)
Loss before taxation		(75,659)	(120,668)
Taxation	7	(16,514)	(17,332)
Loss for the period		(92,173)	(138,000)
Attributable to:			
– Non-controlling interests		9,674	(9,484)
– Equity holders of the Company		(101,847)	(128,516)
Loss per share for loss attributable to the equity holders of the Company			
Basic and diluted	9	HK(2.62)cents	HK(3.30)cents

Interim Financial Information

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Loss for the period	(92,173)	(138,000)
Other comprehensive (expenses)/income		
Exchange translation differences	(19,945)	54,721
Revaluation (deficit)/surplus on available-for-sale financial assets, net of tax	(224)	443
Pension reserve recycled to income statement on disposal of a subsidiary	1,612	–
Other comprehensive (expenses)/income for the period, net of tax	(18,557)	55,164
Total comprehensive expenses for the period	(110,730)	(82,836)
Total comprehensive (expenses)/income for the period attributable to:		
– Non-controlling interests	9,879	1,447
– Equity holders of the Company	(120,609)	(84,283)

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2012

		Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	10	164,979	159,990
Goodwill	11	2,267,056	2,355,948
Other intangible assets	12	101,906	99,969
Interests in jointly controlled entities		6,679	(117,523)
Interests in associated companies		221,077	221,753
Available-for-sale financial assets		17,807	12,763
Advance to an investee company		2,177	2,172
Deferred tax assets		43,679	41,875
Other non-current assets		24,076	27,555
		2,849,436	2,804,502
Current assets			
Inventories		103,030	101,062
Trade and other receivables	13	865,599	860,951
Restricted cash	14	3,666	3,766
Cash and cash equivalents		854,066	961,773
		1,826,361	1,927,552
Current liabilities			
Trade and other payables	15	1,009,186	1,048,361
Taxation payable		43,289	43,080
Long-term bank loans – current portion	16	74,100	73,160
Short-term bank loans	16	144,300	118,082
		1,270,875	1,282,683
Net current assets		555,486	644,869
Total assets less current liabilities		3,404,922	3,449,371

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2012

		Unaudited 30 June 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		19,315	17,650
Non-current portion of long-term bank loans	16	1,998,700	1,940,656
Pension obligations		33,622	35,291
		<u>2,051,637</u>	<u>1,993,597</u>
		-----	-----
Net assets		<u>1,353,285</u>	<u>1,455,774</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	17	389,328	389,328
Reserves		622,566	743,175
Own shares held		(6,244)	(6,244)
		<u>1,005,650</u>	<u>1,126,259</u>
Non-controlling interests		347,635	329,515
		<u>1,353,285</u>	<u>1,455,774</u>

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited Attributable to equity holders of the Company											
	Share capital HK\$'000	Own shares held HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Available-for-sale financial assets reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2012	389,328	(6,244)	3,625,981	26,314	776	139,257	1,548	722,083	(3,772,784)	1,126,259	329,515	1,455,774
Comprehensive income:												
Loss for the period	-	-	-	-	-	-	-	-	(101,847)	(101,847)	9,674	(92,173)
Other comprehensive income:												
Revaluation deficit on available-for-sale financial assets, net of tax	-	-	-	-	-	-	(224)	-	-	(224)	-	(224)
Pension reserve recycled to income statement on disposal of a subsidiary	-	-	-	-	-	-	-	-	1,331	1,331	281	1,612
Exchange translation differences	-	-	-	-	-	-	-	(19,869)	-	(19,869)	(76)	(19,945)
Total comprehensive (expenses)/ income for the period ended 30 June 2012	-	-	-	-	-	-	(224)	(19,869)	(100,516)	(120,609)	9,879	(110,730)
Transactions with equity holders:												
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(85)	(85)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	8,326	8,326
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	8,241	8,241
Balance at 30 June 2012	389,328	(6,244)	3,625,981	26,314	776	139,257	1,324	702,214	(3,873,300)	1,005,650	347,635	1,353,285

Interim Financial Information

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Own shares held	Share premium	Capital reserve	Capital redemption reserve	General reserve	Available-for-sale financial assets reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2011	389,328	(6,244)	3,625,981	27,162	776	137,346	3,001	605,993	(3,269,734)	1,513,609	358,302	1,871,911
Comprehensive income:												
Loss for the period	-	-	-	-	-	-	-	-	(128,516)	(128,516)	(9,484)	(138,000)
Other comprehensive income:												
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	443	-	-	443	-	443
Exchange translation differences	-	-	-	-	-	-	-	43,790	-	43,790	10,931	54,721
Total comprehensive (expenses)/ income for the period ended 30 June 2011	-	-	-	-	-	-	443	43,790	(128,516)	(84,283)	1,447	(82,836)
Transactions with equity holders:												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,428)	(1,428)
Acquisition of additional interests in a subsidiary	-	-	-	(848)	-	-	-	-	-	(848)	848	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	941	941
Transactions with equity holders	-	-	-	(848)	-	-	-	-	-	(848)	361	(487)
Balance at 30 June 2011	389,328	(6,244)	3,625,981	26,314	776	137,346	3,444	649,783	(3,398,250)	1,428,478	360,110	1,788,588

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operations	(42,266)	22,518
Interest paid	(15,121)	(14,591)
Overseas taxation paid	(16,244)	(20,159)
Net cash used in operating activities	(73,631)	(12,232)
Net cash used in investing activities	(112,104)	(93,122)
Net cash from financing activities	82,254	59,460
Net decrease in cash and cash equivalents	(103,481)	(45,894)
Cash and cash equivalents at the beginning of the period	961,773	1,079,340
Exchange adjustment	(4,226)	28,823
Cash and cash equivalents at the end of the period	854,066	1,062,269

1 Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in 2011 annual financial statements, except for the adoption of new standards, amendments to standards and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2012. The adoption of these new standards, amendments to standards and interpretations did not result in any substantial changes to the accounting policies of the Group.

2 Critical accounting estimates and judgements

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

3 Financial risk management

The Group’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, currency risk and price risk).

This condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2011.

There have been no changes in the risk management policies since year ended 31 December 2011.

Notes to the Condensed Consolidated Interim Financial Information

4 Segment information

The Group has five reportable segments:

- Internet Group – provision of wireless Internet services, online advertising, commercial enterprise solutions and Internet access services.
- E-Commerce Group – merchandise sales through Internet-based marketplace.
- Publishing Group – magazine and book circulation, sales of publication advertising and other related products.
- Outdoor Media Group – advertising sales of outdoor media assets and provision of outdoor media services.
- Television and Entertainment Group – advertising sales in relation to satellite television channel operations, provision of broadcasting programmes and provision of media sales, event production and marketing services.

Sales between segments are carried out at arm's length.

The segment results for the six months ended 30 June 2012 are as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 2012					
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Total gross segment revenue	360,992	4,906	503,095	167,930	97,358	1,134,281
Inter-segment revenue	-	-	-	-	(426)	(426)
Net revenue from external customers	<u>360,992</u>	<u>4,906</u>	<u>503,095</u>	<u>167,930</u>	<u>96,932</u>	<u>1,133,855</u>
Segment profit/(loss) before amortisation and depreciation	(5,056)	(31,709)	114,736	17,207	(16,165)	79,013
Amortisation and depreciation	(5,131)	(1,908)	(59,637)	(17,906)	(20,263)	(104,845)
Segment profit/(loss)	<u>(10,187)</u>	<u>(33,617)</u>	<u>55,099</u>	<u>(699)</u>	<u>(36,428)</u>	<u>(25,832)</u>
Other material non-cash items:						
Share of profits less losses of jointly controlled entities	-	10,038	-	-	-	10,038
Share of profits less losses of associated companies	372	-	(3,466)	-	-	(3,094)
	<u>372</u>	<u>10,038</u>	<u>(3,466)</u>	<u>-</u>	<u>-</u>	<u>6,944</u>
Finance costs:						
Finance income (note a)	8,136	13	11,354	592	63	20,158
Finance expenses (note a)	-	-	(6,802)	-	(10,818)	(17,620)
	<u>8,136</u>	<u>13</u>	<u>4,552</u>	<u>592</u>	<u>(10,755)</u>	<u>2,538</u>
Segment profit/(loss) before taxation	<u>(1,679)</u>	<u>(23,566)</u>	<u>56,185</u>	<u>(107)</u>	<u>(47,183)</u>	<u>(16,350)</u>
Unallocated corporate expenses						(59,309)
Loss before taxation						<u>(75,659)</u>
Expenditure for operating segment non-current assets	2,552	7,708	66,426	14,361	23,387	114,434
Unallocated expenditure for non-current assets						216
Total expenditure for non-current assets						<u>114,650</u>

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,946,000 and HK\$11,386,000 were included in the finance income and finance expenses respectively.

Notes to the Condensed Consolidated Interim Financial Information

4 Segment information (Continued)

The segment results for the six months ended 30 June 2011 are as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 2011					
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Total gross segment revenue	388,942	–	500,991	149,944	82,727	1,122,604
Inter-segment revenue	–	–	–	–	(465)	(465)
Net revenue from external customers	<u>388,942</u>	<u>–</u>	<u>500,991</u>	<u>149,944</u>	<u>82,262</u>	<u>1,122,139</u>
Segment profit/(loss) before amortisation and depreciation	(21,888)	(25,709)	106,352	1,749	(21,711)	38,793
Amortisation and depreciation	<u>(6,254)</u>	<u>(1,598)</u>	<u>(50,333)</u>	<u>(20,447)</u>	<u>(21,240)</u>	<u>(99,872)</u>
Segment profit/(loss)	<u>(28,142)</u>	<u>(27,307)</u>	<u>56,019</u>	<u>(18,698)</u>	<u>(42,951)</u>	<u>(61,079)</u>
Other material non-cash items:						
Share of profits less losses of jointly controlled entities	–	(6,571)	–	–	–	(6,571)
Share of profits less losses of associated companies	<u>164</u>	<u>–</u>	<u>(150)</u>	<u>–</u>	<u>–</u>	<u>14</u>
	<u>164</u>	<u>(6,571)</u>	<u>(150)</u>	<u>–</u>	<u>–</u>	<u>(6,557)</u>
Finance costs:						
Finance income (note a)	7,082	7	10,969	1,022	36	19,116
Finance expenses (note a)	<u>–</u>	<u>–</u>	<u>(7,706)</u>	<u>–</u>	<u>(9,415)</u>	<u>(17,121)</u>
	<u>7,082</u>	<u>7</u>	<u>3,263</u>	<u>1,022</u>	<u>(9,379)</u>	<u>1,995</u>
Segment profit/(loss) before taxation	<u>(20,896)</u>	<u>(33,871)</u>	<u>59,132</u>	<u>(17,676)</u>	<u>(52,330)</u>	<u>(65,641)</u>
Unallocated corporate expenses						<u>(55,027)</u>
Loss before taxation						<u>(120,668)</u>
Expenditure for operating segment non-current assets	3,727	512	52,946	22,566	26,112	105,863
Unallocated expenditure for non-current assets						<u>62</u>
Total expenditure for non-current assets						<u>105,925</u>

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,759,000 and HK\$9,781,000 were included in the finance income and finance expenses respectively.

Notes to the Condensed Consolidated Interim Financial Information

4 Segment information (Continued)

The segment assets and liabilities at 30 June 2012 are as follows:

	Unaudited					Total HK\$'000
	As at 30 June 2012					
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Segment assets	2,155,261	108,267	1,261,489	635,938	191,519	4,352,474
Interests in jointly controlled entities	–	6,679	–	–	–	6,679
Interests in associated companies	4,514	–	216,563	–	–	221,077
Unallocated assets						95,567
Total assets						4,675,797
Segment liabilities	278,109	44,022	356,298	179,394	65,506	923,329
Unallocated liabilities:						
Corporate liabilities						119,479
Current taxation						43,289
Deferred taxation						19,315
Borrowings						2,217,100
Total liabilities						3,322,512

The segment assets and liabilities at 31 December 2011 are as follows:

	Audited					Total HK\$'000
	As at 31 December 2011					
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Segment assets	2,275,238	161,797	1,275,856	609,842	201,293	4,524,026
Interests in jointly controlled entities	–	(117,523)	–	–	–	(117,523)
Interests in associated companies	4,609	–	217,144	–	–	221,753
Unallocated assets						103,798
Total assets						4,732,054
Segment liabilities	329,799	2,004	415,226	150,554	71,802	969,385
Unallocated liabilities:						
Corporate liabilities						114,267
Current taxation						43,080
Deferred taxation						17,650
Borrowings						2,131,898
Total liabilities						3,276,280

The unallocated assets represent the corporate assets. The unallocated liabilities represent the corporate liabilities in addition to operating segment taxation payable, deferred tax liabilities and borrowings which are managed on a central basis.

Notes to the Condensed Consolidated Interim Financial Information

5 Operating loss

Operating loss is stated after charging/crediting the following:

	Unaudited Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Charging:		
Depreciation of fixed assets (note 10)	28,238	28,496
Amortisation of other intangible assets (note 12)	77,125	71,892
Amortisation of other intangible assets included in interests in associated companies	1,356	1,356
Crediting:		
Exchange gains, net	9,678	653
Gain on disposal of subsidiaries	3,745	–
Dividend income from available-for-sale financial assets	466	6,153
Gain on disposal of fixed assets	33	183

6 Finance costs, net

	Unaudited Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	32,625	28,370
Interest on other loans	943	924
	33,568	29,294
Less: Bank interest income	(9,958)	(8,437)
	23,610	20,857

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Unaudited Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Overseas taxation	14,481	19,679
Under-provision in prior years	2,103	540
Deferred taxation	(70)	(2,887)
Taxation charge	16,514	17,332

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

8 Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2012 (2011: Nil).

9 Loss per share

(a) Basic

The calculation of the basic loss per share is based on consolidated loss attributable to the equity holders of the Company of HK\$101,847,000 (2011: HK\$128,516,000) and the weighted average of 3,893,270,558 (2011: 3,893,270,558) ordinary shares in issue during the period.

(b) Diluted

Diluted loss per share is equal to the basic loss per share for the period ended 30 June 2012 as the exercise price of the outstanding share options granted by the Company are higher than the average market price of the share of the Company (2011: Same).

10 Fixed assets

During the period, major fixed assets acquired by the Group were computer equipment amounting to HK\$12,641,000 and outdoor media assets amounting to HK\$11,661,000.

	<i>HK\$'000</i>
At 1 January 2011	143,769
Additions	26,875
Disposals	(589)
Depreciation charge	(28,496)
Exchange adjustment	3,791
	<hr/>
At 30 June 2011 (unaudited)	<u>145,350</u>
At 1 January 2012	159,990
Additions	35,377
Acquiring full control in a jointly controlled entity	72
Disposals	(1,421)
Disposal of subsidiaries	(145)
Deconsolidation of a subsidiary	(1)
Depreciation charge	(28,238)
Exchange adjustment	(655)
	<hr/>
At 30 June 2012 (unaudited)	<u>164,979</u>

11 Goodwill

	<i>HK\$'000</i>
At 1 January 2011	2,682,513
Exchange adjustment	47,690
	<hr/>
At 30 June 2011 (unaudited)	<u>2,730,203</u>
At 1 January 2012	2,355,948
Transferred from share of net liabilities of a jointly controlled entity	(97,475)
Excess of consideration paid over identifiable net assets acquired in acquiring full control in a jointly controlled entity	20,957
Deconsolidation of a subsidiary	(116)
Exchange adjustment	(12,258)
	<hr/>
At 30 June 2012 (unaudited)	<u>2,267,056</u>

Notes to the Condensed Consolidated Interim Financial Information

12 Other intangible assets

	Concession rights HK\$'000	Publishing rights HK\$'000	Programme and film rights HK\$'000	Customer base and technical know-how HK\$'000	Total HK\$'000
At 1 January 2011	31,504	60,251	7,371	13,081	112,207
Additions	7,859	44,796	26,068	327	79,050
Amortisation charge	(7,477)	(42,109)	(20,878)	(1,428)	(71,892)
Exchange adjustment	767	1,926	150	323	3,166
At 30 June 2011 (unaudited)	<u>32,653</u>	<u>64,864</u>	<u>12,711</u>	<u>12,303</u>	<u>122,531</u>
At 1 January 2012	20,422	57,109	11,326	11,112	99,969
Additions	–	55,782	22,364	1,127	79,273
Disposal of subsidiaries	–	(862)	–	–	(862)
Amortisation charge	(5,618)	(50,714)	(19,242)	(1,551)	(77,125)
Exchange adjustment	(139)	931	(61)	(80)	651
At 30 June 2012 (unaudited)	<u>14,665</u>	<u>62,246</u>	<u>14,387</u>	<u>10,608</u>	<u>101,906</u>

13 Trade and other receivables

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Trade receivables	552,683	552,983
Prepayments, deposits and other receivables	312,916	307,968
	<u>865,599</u>	<u>860,951</u>

The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 days to 90 days. The Group's turnover is determined in accordance with terms specified in the contracts governing the relevant transactions. The carrying values of trade and other receivables approximate their fair values.

The ageing analyses of the Group's trade receivables were as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Current	125,880	195,782
31-60 days	138,021	130,766
61-90 days	98,405	81,572
Over 90 days	281,961	238,369
	<u>644,267</u>	<u>646,489</u>
Less: Provision for impairment	(91,584)	(93,506)
	<u>552,683</u>	<u>552,983</u>
Represented by:		
Receivables from related companies	8,956	13,033
Receivables from third parties	543,727	539,950
	<u>552,683</u>	<u>552,983</u>

Notes to the Condensed Consolidated Interim Financial Information

14 Restricted Cash

As at 30 June 2012, NT\$14,100,000 (approximately HK\$3,666,000) (31 December 2011: NT\$14,670,000 or approximately HK\$3,766,000) were mainly pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

15 Trade and other payables

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Trade payables	299,912	295,259
Other payables and accruals	709,274	753,102
	<u>1,009,186</u>	<u>1,048,361</u>

The carrying values of trade and other payables approximate their fair values.

The ageing analyses of the Group's trade payables were as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Current	91,552	116,215
31-60 days	58,957	35,846
61-90 days	18,761	31,576
Over 90 days	130,642	111,622
	<u>299,912</u>	<u>295,259</u>
Represented by:		
Payable to related companies	1,155	1,155
Payable to third parties	298,757	294,104
	<u>299,912</u>	<u>295,259</u>

16 Movements in borrowings

	Short-term bank loans HK\$'000	Long-term bank loans HK\$'000	Total HK\$'000
As at 1 January 2011	109,032	1,842,400	1,951,432
Borrowings	74,168	86,000	160,168
Repayments	(59,334)	(37,421)	(96,755)
Exchange adjustment	4,242	15,150	19,392
	<u>128,108</u>	<u>1,906,129</u>	<u>2,034,237</u>
As at 30 June 2011 (unaudited)			
As at 1 January 2012	118,082	2,013,816	2,131,898
Borrowings	131,040	92,000	223,040
Repayments	(106,340)	(37,050)	(143,390)
Exchange adjustment	1,518	4,034	5,552
	<u>144,300</u>	<u>2,072,800</u>	<u>2,217,100</u>
As at 30 June 2012 (unaudited)			

Notes to the Condensed Consolidated Interim Financial Information

17 Share capital

	Number of ordinary shares of HK\$0.1 each	HK\$'000
Authorised:		
As at 1 January and 30 June 2011 and 1 January and 30 June 2012	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 January and 30 June 2011 and 1 January and 30 June 2012	<u>3,893,270,558</u>	<u>389,328</u>

18 Pledge of assets

Save as disclosed in note 14, the Group has no pledge of assets as at 30 June 2012 (31 December 2011: Nil).

19 Contingent liabilities

From 2008 to June 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2009 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT\$820 million (approximately HK\$213 million) in total in deriving the assessable profits of the subsidiary. This gave rise to a potential additional income tax liability to the Group of approximately NT\$205 million (approximately HK\$53 million). The subsidiary duly filed the petitions/appeals to the tax authority and requested for re-examination on the deductibility of the amortisation charge. In 2010, the petitions for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary appealed to the Court in Taiwan. In November 2010 and June 2011, the subsidiary won the 2004 and 2005 tax appeals respectively. In January and August 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 revised tax assessments respectively. In February and March 2012, the Court decided to revert the 2004 and 2005 tax assessments back for re-trial, on the opinion that appropriate laws and regulations have not been applied in drawing the conclusion of the original judgement for the 2004 and 2005 tax assessments. Up to the date of this financial information, the dates for the trials were not yet fixed by the Court.

Management has discussed the cases with its external tax representative. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Management is confident of a favourable outcome of the tax appeals/petitions and considers no provision is necessary at this stage.

Should the tax appeals and petitions by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2010 to 2012 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to 30 June 2012 to the Group thereon is approximately NT\$272 million (approximately HK\$71 million).

20 Capital Commitments

The Group's maximum capital commitments as at 30 June 2012 are as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Acquisition of new investments		
– Contracted but not provided for	19,520	–
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	95,532	154,485
	<u>115,052</u>	<u>154,485</u>

21 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 13 and 15 to the condensed consolidated interim financial information, is set out below:

(a) Sales of goods and services

	Unaudited	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Sales to		
– HWL and its subsidiaries	18,028	15,317
– non-controlling interests of subsidiaries and their subsidiaries	7,632	10,268

(b) Purchase of goods and services

	Unaudited	
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Purchase of services payable to		
– non-controlling interests of subsidiaries and their subsidiaries	6,929	6,722
Rental payable to		
– an associated company of CKH	5,187	4,605
– a subsidiary of CKH	4,295	4,295
– non-controlling interests of subsidiaries and their subsidiaries	830	799
Service fees payable to		
– HWL and its subsidiaries	2,040	1,982

(c) Two substantial shareholders of the Company granted guarantees to the Company at an guarantee fee equivalent to 0.5% per annum for loan facilities amounting to HK\$2,200 million (2011: three substantial shareholders of the Company granted guarantees to the Company at an guarantee fee equivalent to 0.5% per annum for loan facilities of HK\$1,900 million). During the period, HK\$4,368,000 was paid by the Company (2011: HK\$3,759,000) to these substantial shareholders.

(d) Key management compensation

During the period ended 30 June 2012, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation) (2011: Nil).

22 Approval of interim financial information

The condensed consolidated interim financial information was approved by the Board of Directors on 30 July 2012.

Disclosure of Interests

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

Name of Directors	Capacity	Number of shares of the Company				Total	Approximate percentage of shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Yeung Kwok Mung	Interest of spouse	-	30,000	-	-	30,000	Below 0.01%
Angela Mak	Beneficial owner	44,000	-	-	-	44,000	Below 0.01%

(b) Rights to acquire shares of the Company

Pursuant to the Old Option Scheme, a Director was granted share options to subscribe for the shares of the Company, details of which as at 30 June 2012 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2012	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2012	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2012			
Angela Mak	9/10/2003	6,000,000	-	-	-	6,000,000 (Note)	9/10/2003 – 8/10/2013	2.505	
	Total:	6,000,000	-	-	-	6,000,000			

Note: The options have vested in four tranches. The first tranche of 2,700,000 options and the second, third and fourth tranches of 1,100,000 options each have vested on 10 October 2003, 1 January 2004, 1 January 2005 and 1 January 2006 respectively.

Save as disclosed above, during the six months ended 30 June 2012, none of the Directors or chief executive of the Company was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2012, the persons or corporations (not being a Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustcorp Limited <i>(as trustee of another discretionary trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	Trustee	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
CKH	Interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%

Disclosure of Interests

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) <i>(Note 1)</i>	12.23%
Romefield Limited	Beneficial owner	476,341,182 (L) <i>(Note 1)</i>	12.23%
HWL	Interest of controlled corporations	952,683,363 (L) <i>(Note 2)</i>	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.47%
Easterhouse Limited	Beneficial owner	952,683,363 (L) <i>(Note 2)</i>	24.47%
Chau Hoi Shuen	Interest of controlled corporations	994,864,363 (L) <i>(Notes 3 & 4)</i>	25.55%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	994,864,363 (L) <i>(Notes 3 & 4)</i>	25.55%
Schumann International Limited	Beneficial owner	580,000,000 (L) <i>(Notes 3 & 4)</i>	14.90%
Handel International Limited	Beneficial owner	348,000,000 (L) <i>(Notes 3 & 4)</i>	8.94%

(L) denotes a long position

Notes:

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnynlink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of CKH.

By virtue of the SFO, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnynlink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold units in The Li Ka-Shing Unity Trust.

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of HWL. By virtue of the SFO, HWL and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and CKH are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 66,864,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 66,864,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

- (4) Cranwood Company Limited, Schumann International Limited and Handel International Limited have charged 66,864,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company respectively in favour of HWL on 7 October 2011.

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Disclosure of Interests

Outstanding Share Options

(a) Old Option Scheme

As at 30 June 2012, options to subscribe for an aggregate of 6,406,000 shares of the Company which were granted to a Director, continuous contract employees and ex-employees of the Group were outstanding. Details of the share option movement during the six months ended 30 June 2012 are as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2012	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Director (Note 1)	9/10/2003	6,000,000	-	-	-	-	6,000,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees)	9/10/2003	556,000	-	-	-	(150,000)	406,000 (Note 2)	9/10/2003 – 8/10/2013	2.505
Total:		6,556,000	-	-	-	(150,000)	6,406,000		

Notes:

1. Details of the options granted to the Director are set out in the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
2. (i) For certain grantees, all the options have vested on 10 October 2003.
(ii) For certain grantees, the options have vested in three tranches. The first tranche of the options has vested on the anniversaries of their respective joining dates with the Group in 2004, the second and third tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2005 and 2006.
(iii) For certain grantees, the options have vested in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on the anniversaries of their respective joining dates with the Group in 2004, the second and third tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2005 and 2006.

(b) New Option Scheme

No option has been granted pursuant to the New Option Scheme since its adoption.

Audit Committee

The Company has established an audit committee (“Audit Committee”) in January 2000. Written terms of reference in compliance with the Listing Rules have been adopted for the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha and a Non-executive Director, namely, Mrs. Angelina Lee. Mr. Henry Cheong is the chairman of the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012 has been reviewed by the Audit Committee.

Code on Corporate Governance Practices and Corporate Governance Code

The Company has complied with all the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, except Code Provision A.5 of the Corporate Governance Code.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2012.

Other Information

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2011 Annual Report of the Company are set out below:

Name of Directors	Details of Changes
Edmond Ip	Resigned as non-executive director of Excel Technology International Holdings Limited ("Excel"), a company whose shares listed on the Main Board, on 3 July 2012
Henry Cheong	Resigned as independent non-executive director of Excel on 3 July 2012

As at the date hereof, the Directors are:

Executive Directors:

*Mr. Yeung Kwok Mung
Ms. Angela Mak*

Non-executive Directors:

*Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mr. Edmond Ip
Mrs. Angelina Lee*

Independent Non-executive Directors:

*Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha*

Alternate Directors:

*Mrs. Susan Chow
(Alternate to Mr. Frank Sixt)
Mr. Francis Meehan
(Alternate to each of Mr. Frank Sixt,
Ms. Debbie Chang and Mr. Edmond Ip)*