

2013 Interim Report



TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 2383

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DEFINITIONS

“Board”	means the board of Directors
“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
“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

CORPORATE INFORMATION

Board of Directors

Chairman

Frank John Sixt

Executive Directors

Yeung Kwok Mung

Mak Soek Fun, Angela

Non-executive Directors

Chang Pui Vee, Debbie

Ip Tak Chuen, Edmond

Lee Pui Ling, Angelina

Independent Non-executive Directors

Cheong Ying Chew, Henry

James Sha

Ip Yuk-keung, Albert

Alternate Directors

Chow Woo Mo Fong, Susan

(Alternate to Frank John Sixt)

Francis Anthony Meehan

(Alternate to each of Frank John Sixt, Chang Pui Vee, Debbie and Ip Tak Chuen, Edmond)

Company Secretary

Mak Soek Fun, Angela

Authorised Representatives

Yeung Kwok Mung

Mak Soek Fun, Angela

Audit Committee

Cheong Ying Chew, Henry

(Committee Chairman)

James Sha

Lee Pui Ling, Angelina

Ip Yuk-keung, Albert

Remuneration Committee

Cheong Ying Chew, Henry

(Committee Chairman)

Frank John Sixt

Ip Yuk-keung, Albert

Chow Woo Mo Fong, Susan

(Alternate to Frank John Sixt)

Auditor

PricewaterhouseCoopers

Registered Office

P. O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Head Office and Principal Place of Business

48/F., The Center

99 Queen's Road Central

Central

Hong Kong

Tel: (852) 2121 7838

Fax: (852) 2186 7711

Principal Share Registrar

Maples Corporate Services Limited

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

Branch Share Registrar

Computershare Hong Kong

Investor Services Limited

Rooms 1712-1716, 17/F.

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Principal Bankers

The Hongkong and Shanghai

Banking Corporation Limited

Bank of China (Hong Kong) Limited

DBS Bank Limited

Industrial and Commercial

Bank of China (Asia) Limited

Website Address

www.tomgroup.com

Stock Code

2383

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM Group Limited and its subsidiaries for the six months ended 30 June 2013.

For the six months ended June 30, TOM reported revenues of HK\$975 million and operating loss of HK\$86 million. Loss attributable to shareholders was HK\$113 million and loss per share was HK cents 2.91.

During the period, the Mobile Internet Group continued to develop and introduce mobile applications and services to tap into the growth momentum of China's mobile market. Our vertical social platforms, which offer game and music services, reported continued growth in both the number of downloads and users. These new generation high margin services partially offset the revenue decline of the traditional 2.5G wireless value-added services. The Mobile Internet Group reported revenues of HK\$207 million. Segment loss amounted to HK\$19 million.

The E-Commerce Group continued to deliver solid operating results and gain customer loyalty, establishing a strong position in the rapidly developing China e-commerce market. The Ule (www.ule.com) joint-venture reported a gross merchandise value amounted to RMB517 million in the reporting period, representing a 107% increase from a year earlier. In the second half this year, Ule will introduce a series of innovative marketing campaigns to further drive sales.

The Publishing Group maintained its revenue level for the reporting period at HK\$485 million and segment profit of HK\$35 million. The Group remained a market leader in both traditional and digital publishing in the Greater China market. During the reporting period, Cité Media Group continued to invest in digital publishing with promising results. Pixnet (www.pixnet.net) ranked the first among Taiwan's social media network portals with registered users surged 31%.

The Outdoor Media Group saw 6% increase in revenues compared to the previous year as the Group continued to upgrade its media assets. Occupancy rate stood at about 70%.

The Television and Entertainment Group saw a 5% growth in revenue year on year, with segment loss reduced significantly by 50% from a year earlier.

For the remaining of the year, TOM Group will continue to focus on financial and operational management to boost efficiency, and to extend its alliance with industry partners on services and product innovations. Barring the economic uncertainties, the Group is expected to show further improvement in operating performance in the second half.

I would like to take this opportunity to thank all the Group's management and staff for their continuing hard work and dedication. On behalf of the Board of Directors, I would like to express our sincere gratitude to Ms Anna Wu for her contributions during her service as an Independent Non-executive Director of the Group. I would also like to add a warm welcome to Mr Albert Ip, who has joined our Board as an Independent Non-executive Director and a member of our Board's Audit Committee and Remuneration Committee with effect from 24 June 2013.

Frank Sixt
Chairman

Hong Kong, 29 July 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2013 HK\$'000	30 June 2012 HK\$'000
Revenue	975,106	1,133,855
Operating loss [#]	(85,823)	(52,049)
Loss attributable to equity holders of the Company	(113,465)	(101,847)
Loss per share (HK cents)	(2.91)	(2.62)

[#] Including share of results of associated companies and jointly controlled entities

BUSINESS REVIEW

E-Commerce - Ule taps the growing trend of China e-commerce sector

Ule, the e-commerce joint venture with China Post Group, has been outperforming the market since its debut in August 2010 with triple-digit growth in transaction value in the past three years. During the reporting period, Ule's gross merchandise value grew more than double to RMB517 million in the first six months this year. Average order per transaction jumped 31% to RMB432, doubled the industry standard.

The Chinese government's latest policy of boosting domestic consumption and e-commerce industry will benefit Ule's business growth. Currently, Chinese e-commerce market only accounted for 7.4% of the nation's domestic consumption, the potential of more than 90% offline consumption has yet to be unleashed. In addition, the rising smartphone penetration will drive the rapid growth in mobile commerce. Mobile commerce market grew more than 2 times to RMB26.6 billion in the first quarter of 2013. Leveraging on China Post's nation-wide offline resources, and the Group's rich experiences in China's mobile Internet sector with diversified sales channels, Ule is in the best position to tap the offline and mobile commerce market with huge growth potential, and aiming to become one of the top-10 players in the China's B2C e-commerce market.

Ule has deepened its collaboration with the provincial post offices across the nation and launched a total 31 online provincial zones last year to bring wide-range of provincial products to users. It also partnered with Australia Post Office and New Zealand Post Office to enrich overseas product offerings.

Ule will establish closer ties with local post offices by implementing "industrial products go rural, provincial products go urban" model, to speed up luring merchants to enrich product offerings. The increased collaboration with rural post offices should help Ule to explore new opportunities in the currently underserved rural e-commerce market. During the reporting period, Ule offered about 168,000 units of merchandises to users from over 5,000 merchants. The number of product offerings surged more than 5 times in the past 2 years.

Leveraging on China Post's nation-wide logistic and sales network, Ule focuses on serving the nation's consumers who do not shop online. In addition to the 11185 customer hotline, there are more than 50,000 post offices and 20,000 postal convenient stations in rural villages of 24 provinces offering over-the-counter services for Ule's users. Ule has established a unique offline to online access platform to tap all potential customers. Ule and China Post also work closely together to promote Ule to offline customers in post offices, and launch nation-wide marketing campaign in Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival to boost sales. Moreover, around 6.5 million co-branded debit cards have been issued in collaboration with the Postal Savings Bank, providing strong offline customer base for Ule.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mobile commerce is the next high growth engine of the nation's e-commerce market. With 1.1 billion mobile phone users in China, of which more than 300 million are 3G users, Ule is ready to tap the strong momentum of mobile commerce by establishing closer ties with handset makers and mobile operators, and using mobile phone as a tool to bring offline shoppers to mobile. Ule's smartphone app enables users to place orders, pay bills, buy tickets and redeem products, laying a solid foundation for Ule's mobile platform.

During the reporting period, Ule's registered users surged 65% to around 3 million, repeated buyers stood at 47% level. Ule's unique merchandise and diversified sales channels are well received by users. According to web information company Alexa Internet Inc, Ule users tend to spend 10 minutes in average on the site. Ule enjoys higher user stickiness with 25% bounce rate in average, lower than industry peers of 30% to 40%. To further enhance service quality, Ule and China Post are planning to establish after-sales offices in Beijing, Shanghai, Fujian, Sichuan and Hebei. In the past 2 years, Ule outperformed the industry in product delivery time and return rate.

Mobile Internet - Revenue rebounded on strong user growth

The Mobile Internet Group continued to benefit from the rising smartphone penetration in China, as well as the increasing adoption of 3G mobile service. During the reporting period, the Group continued investment in its scalable mobile platforms for a wide range of mobile Internet services replacing traditional 2.5G wireless value-added services. Revenue jumped 18% in the reporting period from previous 6 months, demonstrating strong growth momentum.

PK Game, the social game platform, reported a 68% revenue growth in the reporting period from the previous 6 months, thank to the 89% jump in activated users. During the reporting period, 226 games were available for users.

Social music platform 637.fm is recognised as a media platform for record companies and artists in a bid to lure more fans to drive traffic and usage. By the end of June, 40 record companies, 121 artists and 58 fans groups collaborated with our platform for promotion and hosted 78 activities.

Payment business fueled the growth of Mobile Internet Group with the launch of software development kit (SDK) for mobile application developers running on Android platform, which enables them to bill phone users. During the reporting period, revenue jumped 18% from the previous six months period.

Publishing

The Publishing Group maintained its revenue level for the reporting period, and remained a market leader in both traditional and digital publishing in the Greater China market. During the reporting period, Cité Media Group continued to invest in digital publishing with promising results.

Outdoor Media

The Outdoor Media Group saw revenue growth compared to the previous year as the Group continued to upgrade its media assets.

Television and Entertainment

The Television and Entertainment Group reported an increase in revenue and reduction in segment loss from a year earlier.

The Group will continue to invest in new technology and high value media assets to facilitate the digitalisation and sustainable growth of its traditional businesses including Publishing, Outdoor Media and Television and Entertainment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2013, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$780 million. A total of HK\$2,857 million financing facilities were available, of which HK\$2,278 million had been utilised as at 30 June 2013, to finance the Group's investment, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,278 million as at 30 June 2013. These included long-term bank loans of approximately HK\$2,105 million and short-term bank loans of approximately HK\$173 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 69% as at 30 June 2013, compared to 66% as at 31 December 2012.

As at 30 June 2013, the Group had net current assets of approximately HK\$347 million, compared to balance of approximately HK\$400 million as at 31 December 2012. As at 30 June 2013, the current ratio (Current assets/Current liabilities) of TOM Group was 1.26, compared to 1.31 as at 31 December 2012.

For the first six months of 2013, net cash generated from operating activities, before interest and tax payments, amounted to HK\$16 million, compared to net cash used of HK\$42 million in the same period of 2012. Net cash used in operating activities, inclusive of interest and tax payments, amounted to HK\$17 million, compared to HK\$74 million in the same period of 2012.

Charges on Group Assets

As at 30 June 2013, the Group had restricted cash amounting to HK\$3 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 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2010 from the local tax authority, disallowing the deduction of amortisation of goodwill amounting to approximately NT\$977 million (approximately HK\$251 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\$232 million (approximately HK\$60 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. The subsidiary duly appealed to the Court in Taiwan and won the tax appeals for these two tax assessments. In 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 tax assessments. In 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 for in drawing the conclusion of the original judgement. Following that, the Court has requested the subsidiary and tax authority to provide supplementary information to justify respective position before the re-trials.

Management has discussed the cases with its external tax representative. Based on the consultation, amortisation of goodwill should be tax deductible under the tax rules in Taiwan, management believes that it is still early to draw a conclusion on the 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 2011 to 2013 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to 30 June 2013 to the Group thereon is approximately NT\$299 million (approximately HK\$77 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Employee Information

As at 30 June 2013, TOM Group had approximately 2,800 full-time employees. For the first six months of the year, employee costs, including Directors' emoluments, totalled HK\$302 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2012.

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, since the Group has historically reported certain non-GAAP results to investors, it is considered the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.

INDEPENDENT REVIEW REPORT



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 10 to 32, 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 2013 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, 29 July 2013

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INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Unaudited Six months ended 30 June	
	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	4	975,106	1,133,855
Cost of sales		(701,850)	(830,591)
Selling and marketing expenses		(125,021)	(129,882)
Administrative expenses		(86,956)	(87,956)
Other operating expenses		(157,937)	(158,341)
Other gains, net		13,368	13,922
Share of profits less losses of jointly controlled entities		5,591	10,038
Share of profits less losses of associated companies		(8,124)	(3,094)
	5	(85,823)	(52,049)
Finance income	6	6,878	9,958
Finance costs	6	(32,711)	(33,568)
Finance costs, net	6	(25,833)	(23,610)
Loss before taxation		(111,656)	(75,659)
Taxation	7	(8,973)	(16,514)
Loss for the period		(120,629)	(92,173)
Attributable to:			
- Non-controlling interests		(7,164)	9,674
- Equity holders of the Company		(113,465)	(101,847)
Loss per share attributable to the equity holders of the Company during the period			
Basic and diluted	9	HK(2.91) cents	HK(2.62) cents

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Loss for the period	(120,629)	(92,173)
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Revaluation surplus/(deficit) on available-for-sale financial assets, net of tax	111	(224)
Exchange translation differences	34,489	(19,945)
Pension reserve recycled to income statement on disposal of a subsidiary	-	1,612
Other comprehensive income/(expenses) for the period, net of tax	34,600	(18,557)
Total comprehensive expenses for the period	(86,029)	(110,730)
Total comprehensive (expenses)/income for the period attributable to:		
- Non-controlling interests	(8,026)	9,879
- Equity holders of the Company	(78,003)	(120,609)

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	<i>Note</i>	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	10	193,945	205,983
Goodwill	11	2,175,697	2,154,471
Other intangible assets	12	90,277	92,594
Interests in jointly controlled entities		14,554	8,798
Interests in associated companies		215,236	223,772
Available-for-sale financial assets		20,267	20,546
Advance to an investee company		2,180	2,177
Deferred tax assets		54,017	51,794
Other non-current assets		8,961	12,602
		2,775,134	2,772,737
Current assets			
Inventories		108,975	114,130
Trade and other receivables	13	773,978	784,917
Restricted cash	14	2,857	2,963
Cash and cash equivalents		780,073	797,115
		1,665,883	1,699,125
Current liabilities			
Trade and other payables	15	1,031,602	1,034,187
Taxation payable		41,887	48,653
Long-term bank loans - current portion	16	73,359	76,067
Short-term bank loans	16	172,458	140,389
		1,319,306	1,299,296
Net current assets		346,577	399,829
Total assets less current liabilities		3,121,711	3,172,566

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	<i>Note</i>	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Non-current liabilities			
Deferred tax liabilities		14,494	11,340
Non-current portion of long-term bank loans	16	2,031,718	1,999,502
Pension obligations		38,955	40,089
		<u>2,085,167</u>	<u>2,050,931</u>
Net assets		<u>1,036,544</u>	<u>1,121,635</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	17	389,328	389,328
Reserves		338,645	416,648
Own shares held		(6,244)	(6,244)
		<u>721,729</u>	<u>799,732</u>
Non-controlling interests		314,815	321,903
Total equity		<u>1,036,544</u>	<u>1,121,635</u>

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital <i>HK\$'000</i>	Own shares held <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Available-for-sale financial assets reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2013	389,328	(6,244)	3,625,981	28,021	776	144,464	4,109	731,064	(4,117,767)	799,732	321,903	1,121,635
Comprehensive income:												
Loss for the period	-	-	-	-	-	-	-	-	(113,465)	(113,465)	(7,164)	(120,629)
Other comprehensive income:												
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	111	-	-	111	-	111
Exchange translation differences	-	-	-	-	-	-	-	35,351	-	35,351	(862)	34,489
Total comprehensive income/(expenses) for the period ended 30 June 2013	-	-	-	-	-	-	111	35,351	(113,465)	(78,003)	(8,026)	(86,029)
Transactions with equity holders:												
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	938	938
Transfer to general reserve	-	-	-	-	-	1,183	-	-	(1,183)	-	-	-
Transactions with equity holders	-	-	-	-	-	1,183	-	-	(1,183)	-	938	938
Balance at 30 June 2013	389,328	(6,244)	3,625,981	28,021	776	145,647	4,220	766,415	(4,232,415)	721,729	314,815	1,036,544

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operations	16,011	(42,266)
Interest paid	(16,948)	(15,121)
Overseas taxation paid	(15,672)	(16,244)
Net cash used in operating activities	(16,609)	(73,631)
Net cash used in investing activities	(75,648)	(112,104)
Net cash from financing activities	70,814	82,254
Net decrease in cash and cash equivalents	(21,443)	(103,481)
Cash and cash equivalents at the beginning of the period	797,115	961,773
Exchange adjustment	4,401	(4,226)
Cash and cash equivalents at the end of the period	780,073	854,066

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012 annual financial statements, except for the adoption of new standards, revised standards and amendments to standards which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2013.

Except as described below, the adoption of these new standards, revised standards and amendments to standards does not have a material impact on the Group's accounting policies.

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 11 Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

Under HKFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike HKAS 31, the use of “proportionate consolidation” to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies (Continued)

HKFRS 13 Fair Value Measurement (Continued)

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in Note 3(b) to the condensed consolidated interim financial information.

The adoption of HKFRS 13 has impact on the disclosure requirements on the Group's financial statements only.

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (“OCI”). Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

HKAS 19 Employee Benefits (Revised 2011) (“HKAS 19 (2011)”)

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit or loss; expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit liability (asset) is in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and unvested past service costs are now recognised in profit or loss in the period and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) requires retrospective application. The application of this revised standard had no material impact on the Group's results of operations or financial position.

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 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

3 Financial risk management

(a) Financial risk factors

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 2012.

There have been no changes in the risk management policies since the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Financial risk management (Continued)

(b) Fair value estimation

The financial instruments that are measured at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 HK\$'000
At 30 June 2013	
Assets	
Available-for-sale financial assets	
- Equity securities	8,079
Total assets	8,079
Total liabilities	-
At 31 December 2012	
Assets	
Available-for-sale financial assets	
- Equity securities	7,971
Total assets	7,971
Total liabilities	-

The fair values of all financial assets and liabilities approximate their carrying amounts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information

The Group has five reportable segments:

- Mobile Internet Group - provision of mobile Internet services, online advertising, commercial enterprise solutions and online communication services.
- E-Commerce Group – provision of technical services for online trading platform and provision of services to users using the mobile and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information (Continued)

The segment results for the six months ended 30 June 2013 are as follows:

	Unaudited Six months ended 30 June 2013					Total HK\$'000
	Mobile Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Gross segment revenue	207,278	2,592	485,047	178,172	102,364	975,453
Inter-segment revenue	-	-	-	-	(347)	(347)
Net revenue from external customers	207,278	2,592	485,047	178,172	102,017	975,106
Segment profit/(loss) before amortisation and depreciation	(12,450)	(34,195)	89,987	8,278	(10,549)	41,071
Amortisation and depreciation	(6,475)	(2,777)	(55,201)	(18,600)	(7,761)	(90,814)
Segment profit/(loss)	(18,925)	(36,972)	34,786	(10,322)	(18,310)	(49,743)
Other material non-cash items:						
Share of profits of jointly controlled entities	-	5,591	-	-	-	5,591
Share of profits less losses of associated companies	283	-	(8,407)	-	-	(8,124)
	283	5,591	(8,407)	-	-	(2,533)
Finance costs:						
Finance income (note a)	5,392	36	11,045	496	52	17,021
Finance expenses (note a)	-	-	(6,050)	-	(11,528)	(17,578)
	5,392	36	4,995	496	(11,476)	(557)
Segment profit/(loss) before taxation	(13,250)	(31,345)	31,374	(9,826)	(29,786)	(52,833)
Unallocated corporate expenses						(58,823)
Loss before taxation						(111,656)
Expenditure for operating segment non-current assets	2,816	269	59,109	6,417	9,407	78,018
Unallocated expenditure for non-current assets						505
Total expenditure for non-current assets						78,523

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,658,000 and HK\$12,123,000 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 2012 are as follows:

	Unaudited Six months ended 30 June 2012					Total HK\$'000
	Mobile Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
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	360,992	4,906	503,095	167,930	96,932	1,133,855
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)	(10,187)	(33,617)	55,099	(699)	(36,428)	(25,832)
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)
	372	10,038	(3,466)	-	-	6,944
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)
	8,136	13	4,552	592	(10,755)	2,538
Segment profit/(loss) before taxation	(1,679)	(23,566)	56,185	(107)	(47,183)	(16,350)
Unallocated corporate expenses						(59,309)
Loss before taxation						(75,659)
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						114,650

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 assets and liabilities at 30 June 2013 are as follows:

	Unaudited As at 30 June 2013					Total HK\$'000
	Mobile 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	1,952,220	102,435	1,267,067	634,396	200,904	4,157,022
Interests in jointly controlled entities	-	14,554	-	-	-	14,554
Interests in associated companies	5,121	-	210,115	-	-	215,236
Unallocated assets						54,205
Total assets						4,441,017
Segment liabilities	279,818	39,268	373,984	179,203	73,524	945,797
Unallocated liabilities:						
Corporate liabilities						124,760
Current taxation						41,887
Deferred taxation						14,494
Borrowings						2,277,535
Total liabilities						3,404,473

The segment assets and liabilities at 31 December 2012 are as follows:

	Audited As at 31 December 2012					Total HK\$'000
	Mobile 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	1,946,925	99,041	1,292,710	638,636	173,395	4,150,707
Interests in jointly controlled entities	-	8,798	-	-	-	8,798
Interests in associated companies	4,804	-	218,968	-	-	223,772
Unallocated assets						88,585
Total assets						4,471,862
Segment liabilities	256,454	32,463	416,672	185,515	65,326	956,430
Unallocated liabilities:						
Corporate liabilities						117,846
Current taxation						48,653
Deferred taxation						11,340
Borrowings						2,215,958
Total liabilities						3,350,227

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	
	2013 HK\$'000	2012 HK\$'000
Charging:		
Depreciation of fixed assets (note 10)	34,151	28,238
Amortisation of other intangible assets (note 12)	56,974	77,125
Amortisation of other intangible assets included in interests in associated companies	1,356	1,356
Loss on disposal of fixed assets	49	-
Crediting:		
Exchange gains, net	13,085	9,678
Dividend income from available-for-sale financial assets	332	466
Gain on disposal of subsidiaries	-	3,745
Gain on disposal of fixed assets	-	33

6 Finance costs, net

	Unaudited Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Interest and borrowing costs on bank loans	31,773	32,625
Interest on other loans	938	943
	32,711	33,568
Less: Bank interest income	(6,878)	(9,958)
	25,833	23,610

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013 HK\$'000	2012 HK\$'000
Overseas taxation	10,569	14,481
(Over)/under-provision in prior years	(1,793)	2,103
Deferred taxation	197	(70)
Taxation charge	<u>8,973</u>	<u>16,514</u>

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 had been paid or declared by the Company for the six months ended 30 June 2013 (2012: 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\$113,465,000 (2012: HK\$101,847,000) and the weighted average of 3,893,270,558 (2012: 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 2013 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 (2012: Same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Fixed assets

During the period, major fixed assets acquired by the Group were computer equipment amounting to HK\$8,398,000 and leasehold improvements amounting to HK\$5,531,000.

	<i>HK\$'000</i>
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)	164,979
	<hr/>
At 1 January 2013	205,983
Additions	22,414
Disposals	(725)
Depreciation charge	(34,151)
Exchange adjustment	424
	<hr/>
At 30 June 2013 (unaudited)	193,945
	<hr/>

11 Goodwill

	<i>HK\$'000</i>
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)	2,267,056
	<hr/>
At 1 January 2013	2,154,471
Exchange adjustment	21,226
	<hr/>
At 30 June 2013 (unaudited)	2,175,697
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Other intangible assets

	Concession rights <i>HK\$'000</i>	Publishing rights <i>HK\$'000</i>	Programme and film rights <i>HK\$'000</i>	Customer base and technical know-how <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)	14,665	62,246	14,387	10,608	101,906
At 1 January 2013	11,330	66,631	5,421	9,212	92,594
Additions	-	52,846	3,263	-	56,109
Amortisation charge	(3,518)	(45,242)	(6,628)	(1,586)	(56,974)
Exchange adjustment	176	(1,966)	196	142	(1,452)
At 30 June 2013 (unaudited)	7,988	72,269	2,252	7,768	90,277

13 Trade and other receivables

	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Trade receivables	501,535	528,297
Prepayments, deposits and other receivables	272,443	256,620
	773,978	784,917

The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Trade and other receivables (Continued)

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

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Current	127,351	125,876
31-60 days	128,409	120,174
61-90 days	86,670	87,012
Over 90 days	252,958	287,190
	<u>595,388</u>	<u>620,252</u>
Less: Provision for impairment	(93,853)	(91,955)
	<u>501,535</u>	<u>528,297</u>
Represented by:		
Receivables from related companies	10,444	11,080
Receivables from third parties	491,091	517,217
	<u>501,535</u>	<u>528,297</u>

14 Restricted cash

As at 30 June 2013, NT\$11,100,000 (approximately HK\$2,857,000) (31 December 2012: NT\$11,100,000 or approximately HK\$2,963,000) 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 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Trade payables	339,403	340,562
Other payables and accruals	692,199	693,625
	<u>1,031,602</u>	<u>1,034,187</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Trade and other payables (Continued)

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

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Current	63,450	86,490
31-60 days	38,504	67,013
61-90 days	47,740	31,440
Over 90 days	189,709	155,619
	339,403	340,562
Represented by:		
Payable to third parties	339,403	340,562

16 Movements in borrowings

	Short-term bank loans HK\$'000	Long-term bank loans HK\$'000	Total HK\$'000
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
As at 30 June 2012 (unaudited)	144,300	2,072,800	2,217,100
As at 1 January 2013	140,389	2,075,569	2,215,958
Borrowings	113,256	75,000	188,256
Repayments	(76,190)	(36,679)	(112,869)
Exchange adjustment	(4,997)	(8,813)	(13,810)
As at 30 June 2013 (unaudited)	172,458	2,105,077	2,277,535

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 2012 and 1 January and 30 June 2013	5,000,000,000	500,000
Issued and fully paid:		
As at 1 January and 30 June 2012 and 1 January and 30 June 2013	3,893,270,558	389,328

18 Pledge of assets

Save as disclosed in note 14, the Group has no pledge of assets as at 30 June 2013 (31 December 2012: Nil).

19 Contingent liabilities

From 2008 to 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2010 from the local tax authority, disallowing the deduction of amortisation of goodwill amounting to approximately NT\$977 million (approximately HK\$251 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\$232 million (approximately HK\$60 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. The subsidiary duly appealed to the Court in Taiwan and won the tax appeals for these two tax assessments. In 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 tax assessments. In 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 for in drawing the conclusion of the original judgement. Following that, the Court has requested the subsidiary and tax authority to provide supplementary information to justify respective position before the re-trials.

Management has discussed the cases with its external tax representative. Based on the consultation, amortisation of goodwill should be tax deductible under the tax rules in Taiwan, management believes that it is still early to draw a conclusion on the 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 2011 to 2013 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to 30 June 2013 to the Group thereon is approximately NT\$299 million (approximately HK\$77 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Capital Commitments

The Group's maximum capital commitments as at 30 June 2013 are as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Acquisition of investments		
- Contracted but not provided for	15,039	14,800
Acquisition of fixed assets and other intangible assets		
- Authorised but not contracted for	86,766	111,177
	<u>101,805</u>	<u>125,977</u>

21 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in note 13 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 2013 HK\$'000	2012 HK\$'000
Sales to		
- HWL and its subsidiaries	20,384	18,028
- non-controlling interests of subsidiaries and their subsidiaries	5,457	7,632
- an associated company	1,088	-
- a jointly controlled entity	1,008	-
	<u>27,937</u>	<u>25,660</u>

(b) Purchase of goods and services

	Unaudited For the six months ended 30 June 2013 HK\$'000	2012 HK\$'000
Purchase of services payable to		
- non-controlling interests of subsidiaries and their subsidiaries	6,981	6,929
Rental payable to		
- an associated company of CKH	-	5,187
- a subsidiary of CKH	5,829	4,295
- non-controlling interests of subsidiaries and their subsidiaries	842	830
Service fees payable to		
- HWL and its subsidiaries	1,845	2,040
	<u>15,497</u>	<u>19,281</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions (Continued)

(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 (2012: Same). During the period, guarantee fee amounted to approximately HK\$4,653,000 was paid by the Company (2012: HK\$4,368,000) to these substantial shareholders.

(d) Key management compensation

During the period ended 30 June 2013, 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) (2012: Nil).

22 Approval of interim financial information

The condensed consolidated interim financial information was approved by the Board of Directors on 29 July 2013.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests or short positions of the Directors and chief executive 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%
Mak Soek Fun, Angela	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 2013 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2013	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Mak Soek Fun, Angela	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, 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 2013, none of the Directors or chief executive was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive 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.

DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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 had 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) (Notes 1 & 2)	36.70%
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	Trustee & beneficiary of a trust	1,429,024,545 (L) (Notes 1 & 2)	36.70%
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	Trustee & beneficiary of a trust	1,429,024,545 (L) (Notes 1 & 2)	36.70%
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	Trustee	1,429,024,545 (L) (Notes 1 & 2)	36.70%
CKH	Interest of controlled corporations	1,429,024,545 (L) (Notes 1 & 2)	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) (Note 1)	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) (Note 1)	12.23%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) (Note 1)	12.23%
Romefield Limited	Beneficial owner	476,341,182 (L) (Note 1)	12.23%

DISCLOSURE OF INTERESTS

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
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	995,078,363 (L) <i>(Notes 3 & 4)</i>	25.55%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	995,078,363 (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%
Lin Tian Maw	Beneficial owner	260,756,000 (L)	6.70%

(L) denotes a long position

DISCLOSURE OF INTERESTS

Notes:

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnylink 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 Sunnylink 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 Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 holds 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 67,078,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 67,078,363 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 2013, the Directors are 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 2013, options to subscribe for an aggregate of 6,226,000 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 2013 were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2013	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2013	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	226,000	-	-	-	-	226,000 (Note 2)	9/10/2003 – 8/10/2013	2.505
Total:		6,226,000	-	-	-	-	6,226,000		

Notes:

- 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.
- For certain grantees, all the options have vested on 10 October 2003.
 - 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.
 - 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.

CORPORATE GOVERNANCE

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. Cheong Ying Chew, Henry, Mr. James Sha and Mr. Ip Yuk-keung, Albert and a Non-executive Director, namely, Mrs. Lee Pui Ling, Angelina. Mr. Cheong Ying Chew, Henry is the chairman of the Audit Committee.

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013 has been reviewed by the Audit Committee.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, save and 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 as the Group's code of conduct regarding Directors' securities transactions. In response to specific enquiry made with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2013.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares. In addition, the Company has not redeemed any of its listed shares during the period.

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 2012 Annual Report of the Company or the date of his appointment as Director of the Company (whichever is later) are set out below:

Name of Director

Details of the Changes

Ip Yuk-keung, Albert

Resigned as a Co-opted Member of the Finance Committee of the Urban Renewal Authority on 25 July 2013

Appointed as International Delegate, Alumni Board of Governors at Washington University in St. Louis on 31 July 2013