TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2383)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS

- Group revenues were HK$1,522 million, an increase of 8% over the same period last year
- Operating profit before net gain on deemed disposals of interests in subsidiaries was HK$225 million, a growth of 91%
- Profit attributable to shareholders was HK$91 million
- Basic earnings per share was HK2.34 cents

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM Group Limited ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the six months ended 30 June 2006.

For the six months ended 30 June 2006:

- Group revenues were HK$1,522 million, an increase of 8% over the same period last year
- Operating profit before net gain on deemed disposals of interests in subsidiaries was HK$225 million, a growth of 91%
- Profit attributable to shareholders was HK$91 million
- Basic earnings per share was HK2.34 cents

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2006	30 June 2005
	HK$'000	*HK$'000*
Revenues	**1,521,997**	1,415,747
Operating profit before net gain on deemed disposals of interests in subsidiaries	**224,675**	117,815
Profit attributable to shareholders	**91,262***	169,348**
Basic earnings per share *(HK cents)*	**2.34**	4.35

Remark:

* Included a deemed disposal net gain of HK$25 million

** Included a deemed disposal net gain of HK$160 million

FINANCIAL PERFORMANCE

For the six months ended 30 June 2006, the TOM Group reported revenues of HK$1,522 million, an increase of 8% compared to the same period last year. Operating profit before net gain on deemed disposals of interest in subsidiaries for the period grew by 91% to HK$225 million as compared to last year's HK$118 million. Operating profit margin (before net gain on deemed disposals of interest in subsidiaries) improved from last year's 8% to 15%. Profit attributable to shareholders was HK$91 million versus HK$169 million reported in the same period last year. Basic earnings per share were HK2.34 cents.

The Internet Group reported a 26% growth in revenues to HK$782 million. Segment profit for the period grew by 52% to HK$208 million. Revenues of the Publishing Group dropped 9% to HK$468 million for the period, compared to last year's HK$512 million; segment profit for the Publishing Group was HK$66 million, versus last year's HK$63 million. The Outdoor Media Group reported revenues of HK$185 million, a marginal increase compared to last year's HK$184 million; segment profit was HK$12 million, down 47% compared to last year's HK$23 million. Revenues for the Television and Entertainment Group posted a growth of 36% to HK$44 million; segment loss for the period was HK$25 million, a reduction of 33% compared to a loss of HK$37 million last year. The Sports Group's revenues for the period were HK$49 million, representing a drop of 25% compared to last year's HK$66 million; segment loss was HK$14 million, compared to last year's loss of HK$9 million.

BUSINESS REVIEW

INTERNET GROUP

Revenues of the Internet Group for the period were HK$782 million, a growth of 26% versus last year's HK$621 million. Operations of TOM Online Inc. ("TOM Online") made up about 98% of Internet Group's total revenues. Segment profit was HK$208 million, a growth of 52% compared to last year's HK$136 million. Segment profit margin for the period was 27% versus last year's 22%.

For the first six months of 2006, total wireless Internet revenues grew by 23% to HK$711 million versus last year's HK$578 million and accounted for 92% of TOM Online's total revenues. Online advertising revenues were HK$51 million, a growth of 92% over last year's HK$27 million, and made up about 7% of TOM Online's total revenues.

SMS ("Short Messaging Service") revenues in the period were HK$284 million and made up 40% of total wireless Internet revenues; the growth was driven by the services related to the World Cup, improved performance in its Unicom SMS business and the consolidation of Beijing Bo Xun Rong Tong Information Technology Company Limited for the month of June. Revenues of MMS ("Multi-media Messaging Service") and WAP ("Wireless Application Protocol") accounted for 9% and 16% respectively of total wireless Internet revenues for the first six months of 2006. IVR ("Interactive Voice Response") and CRBT ("Color Ring Back Tone") made up 26% and 6% respectively of TOM Online's total wireless Internet revenues.

On 7 July 2006, TOM Online announced in a press release that it had received notice on policy changes for all subscription services on China Mobile's Monternet platform. The changes, which are to be implemented under the policy directives of China's Ministry of Information Industry, aim to address a number of issues, including reducing customer complaints, increasing customer satisfaction and promoting the healthy development of Monternet. Although TOM Online believes that the policy changes will have substantial negative impact to its wireless business in the near-term, it is reasonable to expect that the industry will adapt and will still offer good longer-term growth prospects for TOM Online.

TOM Online is actively adjusting its operating strategy for the new operating environment and optimizing its cost structure to become more efficient. From early June, as TOM Online has expected potential policy changes to be implemented sometime in 3Q2006, and began to proactively adjust its service offerings in an effort to anticipate and minimize the impact of such changes. These adjustments included changing subscription by message services to flat fee subscriptions and promoting more usage based services over subscription services.

Online advertising business of TOM Online performed well during the period with its continued efforts to focus on the monetization of TOM Online's core online channels such as entertainment, music (including Wanleba) and sports. In 2Q2006, the total number of advertisers and average spend per advertiser each increased sequentially 10-20%, driven in part by strong incremental growth in online activities related to the World Cup and Wanleba. TOM Online plans to emphasize its efforts on its portal to bolster its online presence and communities and to continue grow its online advertising business.

During the period, TOM Online continued to develop core functionality additions to its portal and mobile offerings. At the end of July 2006, TOM-Skype registered users were over 15.5 million up from over 12.0 million registered users at the end of April 2006. TOM Online continue to explore advertising opportunities through TOM-Skpe client and expects to begin monetizing by the end of the fourth quarter of 2006. During the period, TOM Online worked closely with UMPay to develop on micro-payments and pre-paid card top up services. TOM Online will work with UMPay to develop China's mobile payment as a longer-term opportunity for the Company.

PUBLISHING GROUP

The Publishing Group delivered revenues of HK$468 million for the first six months of 2006, a drop of 9% over last year's HK$512 million mainly attributable to a reallocation of internal resources. Segment profit of the group was HK$66 million, compared to last year's HK$63 million; Segment profit margin for the six months improved from last year's 12% to 14%.

In the first half of 2006, revenues from Taiwan accounted for 98% of the group's total revenues, with the rest contributed by Mainland China and Hong Kong operations. Revenues from advertising made up 32% of the group's total, magazine sales made up 26%, while book sales accounted for 39%.

In order to enhance the operational efficiency and profitability of the Publishing Group, the group has restructured, disposed or closed some of its unprofitable magazines and publishing business units during the period under review. Segment profit margin of the group, as a result, has been improved from last year's 12% to 14%, and yet has impacted the revenues of the Publishing Group. In March 2006, the group sold its 50% owned Yazhou Zhoukan to Ming Pao for a total consideration of approximately HK$16 million, which was satisfied by an allotment of 12 million shares of Ming Pao. The disposal of Yazhou Zhoukan led to a decrease in revenue of HK$23 million in the first half of 2006.

The Taiwan operations managed to have a steady growth during the period amid competitive operating environment and tried to explore new opportunities in electronic publishing and distribution. Three new magazine titles were launched and over 1,000 new book titles were published in Taiwan during the six months under review. During the period, the group has also started trial run of e-publishing in Taiwan with the aim of launching digitalized products in the second half of 2006. In addition, the group has increased its book sales through online distributors in order to capture the robust growth of e-commerce market in Taiwan.

The five magazines, namely *DG Best*, *Global Business*, *International Wrist Watch*, *iTravel* and *Micro-electronic* launched in Mainland China by the Taiwan operations, despite continuous growth in both circulation and advertising revenue, were still in investment stage. The five magazines have a nationwide distribution, network covering most of the major prime cities in Mainland China. The bookstore in Hong Kong, run by the Taiwan operations, has become profitable during the period.

Looking to the future, the group will continue to improve its operating efficiency and profitability with further rationalization of resources employed. The group is exploring acquisition opportunities in both traditional as well as electronic publishing and distribution in the region.

OUTDOOR MEDIA GROUP

Revenues of the Outdoor Media Group ("OMG") was HK$185 million for the first six months of 2006, a marginal increase compared to the same period last year as OMG adjusted its business strategy from media buying to self-owned/leased assets in the first half. Segment profit of the group was HK$12 million, a drop of 47% compared to last year's HK$23 million. Segment profit margin was 7% compared to last year's 12%.

For the six months under review, revenues from self-owned/leased media made up 56% of the total, media buying made up 34%, revenues generated from professional services accounted for 9% of the total. Total media asset space of OMG was over 340,000 square meters, an increase of approximately 17% over last year's around 300,000 square meters. Occupancy rate of self-owned/leased assets was about 71% compared to last year's 79%. Occupancy rate dropped compared to last year as some newly added assets were not yet sold during the period which increased the asset costs and impacted the margin of OMG. Average selling price of self-built/leased assets for the period increased 9% over last year. OMG expects to further increase its selling price in the second half of the year.

In order to improve profitability OMG has applied new technology and design to provide creative outdoor media for clients and adjusted its business strategy in the first tier cities, especially in Shanghai and some of the second tier cities, and has shifted its business focus from media buying to self-owned/leased assets and started to acquire its own assets in these cities. Revenues of OMG were impacted by the change of strategy and were flat compared to the same period last year. The group believes that the reduction in media buying business will further improve its profit margin. In the first half of 2006, self-owned/leased assets made up about 83% of total assets, while the rest was media buying; as compared to 60% self-owned/leased and 40% media buying as at the end of 2005.

In March 2006, Singapore Press Holdings Limited ("SPH") acquired a 35% stake in OMG through a capital injection to the Group of approximately HK$203 million (US$26 million) at an implied value of approximately HK$820 million (US$105 million) and became a strategic partner of TOM Group; about HK$25 million deemed disposal gain was recorded in the first half of 2006. SPH is the leading media company in Singapore with an established platform in publishing business. The strategic partnership provides SPH with a foothold in outdoor media sector in Mainland China. OMG in turn will benefit from SPH's media expertise and resources and will continue to expand and solidify its leading outdoor advertising business by acquiring quality media assets in Mainland China. Meanwhile, OMG will continue to explore opportunities in developing new media such as digital panel and apply new technology and design to provide creative outdoor media for clients.

In the first half of 2006, OMG operated 16 subsidiaries with advertising presence in over 60 cities throughout Mainland China. The group will continue to strengthen its network sales by enhancing the integration within subsidiaries and its knowledge platform. The group is actively exploring potential acquisition of outdoor assets in different categories with higher margin in the first tier cities including Beijing, Shanghai and Shenzhen and some leading second tier cities to expand its assets portfolio and improve profitability. It is expected that the forthcoming potential acquisition of outdoor assets would mostly be financed by the capital injected in by SPH.

In order to strengthen the management team and enhance the operations of OMG, a Chief Operating Officer was appointed in July 2006 to oversee the operations, sales and marketing as well as media development of the group. Together with five newly recruited senior executives, the management team of OMG will focus on strengthening the media development of the group in the areas of digital media and national sales, leveraging on the knowledge platform of its subsidiaries throughout Mainland China.

TELEVISION AND ENTERTAINMENT GROUP

The Television and Entertainment Group reported a growth of 36% in revenues to HK$44 million. Segment loss dropped by 33% to HK$25 million compared to a loss of HK$37 million in the same period last year.

Advertising revenues made up 83% of the total revenues for the six months ended 2006, with the rest contributed by wireless, events and program syndication. Advertising revenues of China Entertainment Television Broadcast Limited ("CETV") in the first half of 2006 posted a strong growth of 30% to HK$37 million compared to the same period last year.

During the first half of 2006, much effort of CETV was spent in sales and marketing. Marketing activities included anime competition for a Taiwan idol drama "KO One", an on-the-ground event with the hit Taiwan girl group "S.H.E" promoting the idol drama "Reaching For The Stars" and a promotion event for in-house production "Hi! Lucky Taxi" during "Shenzhen International Cultural Industry Fair" attracted over 300,000 participants.

CETV continued to strengthen ties with Guangdong Mobile organizing a sponsored production for new talents named "Star Power 2006". The opening show in Guangzhou along with qualifying rounds and semi-finals in the Guangdong cities Foshan, Zhanjiang, Dongguan, Shantou, Shenzhen, Zhuhai and Guangzhou attracted over 40,000 participants.

The new media business continued to grow in the first half of 2006, mobile interactive programs like "Happy Laisee" and "Hi! Lucky Taxi" were well received during the period. "Happy Laisee" is an interactive auction program, audience can use IVR call-in to bid-down for the auctioned goods, while "Hi! Lucky Taxi" is a "Millionaire-Like" show in a taxi that provides participation opportunities for audiences by using IVR call-ins. At present, CETV partners with TOM Online and other services providers in its new media business.

In addition to "Happy Laisee" and "Hi! Lucky Taxi", the slate of new original productions in the first half of 2006 included "Celebrity Kitchen" (a food and cooking show involving showbiz artists dropping in on normal families for dinner), the talent show "Wanrenmi" and a new format game show "Paper, Scissors, Stone". All of them led to an increase in original programming.

In the first half of 2006, about 30% programs broadcasted during prime time were original productions with the rest imported from Korea, Taiwan and overseas; CETV targets to increase original production broadcast during prime time to 40%. CETV will continue to pursue initiatives to further deepen its content productions capabilities and expand distribution platforms.

SPORTS GROUP

Revenues of the Sports Group was HK$49 million for the first half of 2006, a drop of 25% compared to last year's HK$66 million, mainly driven by disruption of business due to a restructuring of Yangcheng ("YC"), a major subsidiary of the Sports Group. Segment loss for the six months was HK$14 million versus last year's loss of HK$9 million.

2006 China Open, one of the important events in the international sports calendar, is going to take place from September 9 to 24 in Beijing. The world-class tournament, supported by well-known multinational corporations and leading local brands, will be featuring many of the top male and female players in the world. The sponsors of 2006 China Open include Rolex, Sony Ericsson, Mercedes Benz, CCTV, Lacoste, Sohu, Beijing Chateau, and Tsing Tao. A new cooperation agreement with Beijing Media Corporation ("BMC") has been reached in March 2006; under the agreement, TOM will, among others, receive an annual license fee of US$1.2 million for the ATP and WTA licenses from Beijing China Open Promotion Company Limited, a joint venture between BMC and TOM.

YC underwent a major re-organization restructuring in the first half of 2006. Richard Lee, a veteran in advertising industry, joined YC as CEO. Under Richard's leadership, YC will be repositioned as an integrated marketing communication expert. YC expects to draw on the diversified media platform of TOM Group, its own all-round experiences in Mainland China, including event organizing and management, and excellent relationships with all key media in Mainland China i.e. TV, print, Internet as well as outdoor media to develop a new business model directed towards developing integrated communication campaigns and providing quality executions to clients and cross-selling relevant products from all of TOM Group's five business groups. The re-organization and repositioning will, however, cause temporary disruption to the division and is not expected to result in improved performance of the Sports Group until late this year.

BUSINESS OUTLOOK

In the first half of 2006, TOM Group has placed much of its focus on improving profitability.

With China Mobile's policy changes on its Monternet platform and the impact on us is expected to be negative and significant, we expect the operating environment of TOM Online will be difficult for the remainder of the year and a decline in profitability is expected. However, it is reasonable to expect that the industry will adapt to the changes and still offer good longer-term growth prospects for TOM Online. We have been actively adjusting our operating environment and optimizing our cost structure to deal with the new operating environment.

The Group's focus on cost structure improvement and margin expansion has improved the profitability of the Group in the first half of the year, and these efforts will continue in the second half. The Group will also pursue additional initiatives to drive further growth. During the period, a reduction of 26% in our headquarter costs was achieved. In the second half of the year, integration and rationalization efforts will continues across all business groups and at our corporate head office, we will at the same time continue to expand our five businesses groups through organic and, if appropriate, by selective acquisitions.

I would like to take this opportunity to thank the management and staff in making the good performance in the first half of 2006. The Group will remain committed to growing and strengthening our businesses and to maximizing their value for our shareholders.

Frank Sixt
Chairman

Hong Kong, 21 August 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2006, TOM Group had bank and cash balance, including pledged deposits, of approximately HK$1,705 million and listed debt securities of approximately HK$1,985 million, of which bank balance and listed debt securities of approximately HK$14 million and 1,738 million, respectively were pledged to secure bank loan facilities of the Group. A total of HK$2,108 million financing facilities from banks were available, of which HK$1,915 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 30 June 2006.

Total borrowings of TOM Group amounted to approximately HK$2,987 million as at 30 June 2006. This included liability portion of convertible bonds of approximately HK$1,057 million, long-term bank and other loans of approximately HK$1,635 million and short-term bank loans of approximately HK$295 million. The gearing ratio of TOM Group was 40.7% as at 30 June 2006, as compared to 40.8% as at 31 December 2005.

As at 30 June 2006, the Group had net current assets of approximately HK$1,529 million, as compared with HK$1,174 million as at 30 June 2005. The improvement was mainly due to the cash received from capital injection of SPH to the Group during the period.

As at 30 June 2006, the current ratio of TOM Group was 2.11 compared to 1.91 as at 30 June 2005.

For the six months of 2006, the Group generated net cash of HK$274 million from its operating activities, as compared to net cash used of approximately HK$3 million in the same period of 2005.

Charges on Group Assets

As at 30 June 2006, the Group had listed debt securities with a market value of approximately HK$1,738 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$1,633 million. In addition, bank deposits, cash and other assets with total net book value of approximately HK$29 million were pledged to banks for securing banking and other facilities granted to certain subsidiaries of the Group.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 30 June 2006, TOM Group had no material contingent liabilities.

Employee Information

As at 30 June 2006, TOM Group had 3,867 full-time employees. During the first six months of the year, employee and stock option costs, including Directors' emoluments, totaled at HK$287 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2005.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Note	**Unaudited Six months ended 30 June 2006** *HK$'000*	2005 *HK$'000*
Turnover	2	**1,521,997**	1,415,747
Cost of sales		**(915,966)**	(874,306)
Interest income		**49,776**	45,308
Selling and marketing expenses		**(152,649)**	(150,093)
Administrative expenses		**(133,977)**	(125,906)
Other operating expenses		**(149,193)**	(169,416)
Provision for receivables, net	3	**–**	(31,971)
Share of losses of jointly controlled entities		**(327)**	(85)
Share of profits of associated companies		**5,014**	8,537
Operating profit before net gain on deemed disposals of interests in subsidiaries		**224,675**	117,815
Net gain on deemed disposals of interests in subsidiaries	4	**24,601**	160,335
Operating profit	5	**249,276**	278,150
Finance costs	6	**(66,818)**	(45,300)
Profit before taxation		**182,458**	232,850
Taxation	7	**(20,410)**	(23,576)
Profit for the period		**162,048**	209,274
Attributable to:			
Minority interests		**70,786**	39,926
Equity holders of the Company		**91,262**	169,348
Earnings per share for profit attributable to the equity holders of the Company during the period	9		
Basic		**HK2.34 cents**	HK4.35 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	Note	**30 June 2006 Unaudited** *HK$'000*	31 December 2005 Audited *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		**306,238**	315,592
Goodwill		**2,663,371**	2,514,896
Other intangible assets		**112,893**	91,873
Interests in jointly controlled entities		**14,516**	14,876
Interests in associated companies		**225,107**	238,124
Available-for-sale financial assets		**2,045,196**	2,053,207
Loans and receivables		**3,963**	3,839
Deferred tax assets		**38,767**	38,086
Other non-current assets		**45,756**	47,572
		5,455,807	5,318,065
Current assets			
Inventories		**117,647**	117,080
Trade and other receivables	10	**1,081,471**	1,199,269
Restricted cash		**14,267**	74,350
Bank balances and cash		**1,691,135**	1,081,506
		2,904,520	2,472,205
Current liabilities			
Consideration payables		**178,591**	246,093
Trade and other payables	11	**761,212**	861,664
Taxation payable		**56,412**	50,422
Long-term bank loans – current portion		**83,820**	64,340
Short-term bank loans		**295,316**	75,213
		1,375,351	1,297,732
Net current assets		**1,529,169**	1,174,473
Total assets less current liabilities		**6,984,976**	6,492,538
Non-current liabilities			
Deferred tax liabilities		**9,612**	9,720
Other non-current liabilities		**2,627,732**	2,575,535
		2,637,344	2,585,255
Net assets		**4,347,632**	3,907,283
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**389,328**	389,328
Reserves	12	**2,633,110**	2,506,702
Own shares held		**(6,244)**	(6,244)
Shareholders' funds		**3,016,194**	2,889,786
Minority interests		**1,331,438**	1,017,497
Total equity		**4,347,632**	3,907,283

NOTES

1 **Basis of preparation and accounting policies**

These unaudited condensed consolidated financial statements have 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.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006:

Amendment to HKAS 19	"Actuarial gains and losses, group plan and disclosures"
Amendment to HKAS 21	"Net investment in a foreign operation"
Amendment to HKAS 39	"The fair value option"
Amendment to HKAS 39	"Cash flow hedge accounting of forecast intragroup transactions"
Amendment to HKAS 39	"Financial guarantee contracts"
HKFRS 6	"Exploration for and evaluation of mineral resources"
HK(IFRIC)-Int 4	"Determining whether an arrangement contains a lease"
HK(IFRIC)-Int 5	"Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
HK(IFRIC)-Int 6	"Liabilities arising from participating in a special market – water electrical and electronic equipment"

The Group has early adopted the amendment to HKAS 19 during the financial year ended 31 December 2005. All the other new standards, amendments to standards and interpretations above are either not relevant or do not have material impacts to the Group.

2 **Segment reporting**

Primary reporting format – business segments

Unaudited Six months ended 30 June 2006	Internet Group *HK$'000*	Publishing Group *HK$'000*	Outdoor Media Group *HK$'000*	Sports Group *HK$'000*	Television and Entertainment Group *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Turnover	781,881	467,739	184,728	49,482	44,198	(6,031)	1,521,997
Segment profit/(loss) before amortisation and depreciation	244,581	75,511	27,583	(14,012)	(3,950)	–	329,713
Amortisation and depreciation	(36,979)	(9,823)	(15,575)	(291)	(20,943)	–	(83,611)
Segment profit/(loss)	207,602	65,688	12,008	(14,303)	(24,893)	–	246,102
Share of losses of jointly controlled entities	(327)	–	–	–	–	–	(327)
Share of (losses)/profits of associated companies	(108)	5,122	–	–	–	–	5,014
Unallocated costs							(26,114)
Operating profit before net gain on deemed disposals							224,675
Net gain on deemed disposals of interests in a subsidiary	–	–	24,601	–	–	–	24,601
Operating profit							249,276
Finance costs							(66,818)
Profit before taxation							182,458
Taxation							(20,410)
Profit for the period							162,048
Attributable to:							
Minority interests							70,786
Equity holders of the Company							91,262
Capital expenditure	34,917	7,745	11,921	64	18,923	–	73,570
Unallocated capital expenditure							777
							74,347

2 **Segment reporting**

Primary reporting format – business segments

Unaudited Six months ended 30 June 2005	Internet Group *HK$'000*	Publishing Group *HK$'000*	Outdoor Media Group *HK$'000*	Sports Group *HK$'000*	Television and Entertainment Group *HK$'000*	Total *HK$'000*
Turnover	621,451	512,231	184,063	65,551	32,451	1,415,747
Segment profit/(loss) before amortisation and depreciation	167,609	69,725	35,529	(8,385)	(17,671)	246,807
Amortisation and depreciation	(31,180)	(6,495)	(12,846)	(252)	(19,447)	(70,220)
Segment profit/(loss)	136,429	63,230	22,683	(8,637)	(37,118)	176,587
Provision for receivables, net	38,932	–	–	(70,903)	–	(31,971)
Share of losses of jointly controlled entities	(85)	–	–	–	–	(85)
Share of profits of associated companies	64	8,473	–	–	–	8,537
Unallocated costs						(35,253)
Operating profit before net gain on deemed disposals						117,815
Net gain on deemed disposals of interests in subsidiaries	160,335	–	–	–	–	160,335
Operating profit						278,150
Finance costs						(45,300)
Profit before taxation						232,850
Taxation						(23,576)
Profit for the period						209,274
Attributable to:						
Minority interests						39,926
Equity holders of the Company						169,348
Capital expenditure	44,216	3,238	14,443	373	18,277	80,547
Unallocated capital expenditure						2,952
						83,499

Secondary reporting format – geographical segments

	Unaudited Turnover Six months ended 30 June		**Unaudited Operating profit/(loss) Six months ended 30 June**	
	2006 *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*
Hong Kong	**8,152**	33,772	**(399)**	(21,442)
Mainland China	**1,043,636**	902,220	**255,802**	177,653
Taiwan and other Asian countries	**470,209**	479,755	**74,310**	90,596
	1,521,997	1,415,747	**329,713**	246,807
Amortisation and depreciation			**(83,611)**	(70,220)
Provision for receivables, net			**–**	(31,971)
Share of losses of jointly controlled entities			**(327)**	(85)
Share of profits of associated companies			**5,014**	8,537
Net gain on deemed disposals of interests in subsidiaries			**24,601**	160,335
Unallocated costs			**(26,114)**	(35,253)
Operating profit			**249,276**	278,150

3 **Provision for receivables, net**

Provision for receivables, net for the six-month period ended 30 June 2005 represented a provision of HK$70,903,000 for accounts receivables in respect of two sports events, offset by a write-back of provision of HK$38,932,000 made in prior years in respect of loans and advances to certain investee companies.

4 **Net gain on deemed disposals of interests in subsidiaries**

On 28 March 2006, TOM Outdoor Media Group Limited ("TOM OMG"), a then wholly owned subsidiary of the Company, issued a total of 35 new shares to an independent third party at a total consideration of US$26 million (approximately HK$202.8 million). As a result of this share issuance, the Group's shareholding in TOM OMG has been diluted to 65%, and resulted in a gain on deemed disposal of HK$24,601,000.

The net gain on deemed disposals of interests in subsidiaries for the six-month period ended 30 June 2005 included a gain of HK$160,872,000 on issuance of shares by TOM Online Inc. ("TOM Online"), a non-wholly owned subsidiary of the Company, in April 2005 for acquisition of Puccini International Limited, and a loss of HK$537,000 on the issuance of shares by Indiagames Limited, a non-wholly owned subsidiary of the Company, in May 2005 to two independent parties.

5 **Operating profit**

Operating profit is stated after charging/crediting the following:

	Unaudited Six months ended 30 June 2006 *HK$'000*	2005 *HK$'000*
Charging:		
Depreciation of fixed assets	**58,109**	46,084
Amortisation of other non-current assets	**27,729**	27,031
Amortisation of other non-current assets included in interests in associated companies	**2,449**	2,785
Crediting:		
Gain on disposal of a subsidiary *(Note)*	**14,698**	–

Note: On 20 March 2006, the Group disposed of its 50% equity interests in Yazhou Zhoukan Holdings Limited, a then subsidiary of the Company, to Ming Pao Enterprise Corporation Limited ("Ming Pao"), a listed company on the Main Board of the Stock Exchange of Hong Kong Limited, for a consideration of 12,000,000 ordinary shares of Ming Pao which was valued at a total of approximately HK$16 million. A gain on this disposal of HK$14,698,000 was recorded by the Group.

6 **Finance costs**

	Unaudited Six months ended 30 June 2006 *HK$'000*	2005 *HK$'000*
Interest and borrowing costs on bank loans	**39,368**	16,492
Interest and borrowing costs on convertible bonds	**27,041**	28,453
Interest on other loans, wholly repayable within five years	**409**	355
	66,818	45,300

7 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less available tax losses.

The amount of taxation charged in the consolidated profit and loss account represents:

	Unaudited Six months ended 30 June 2006 *HK$'000*	2005 *HK$'000*
Overseas taxation	**20,816**	32,147
Over-provision in prior years	**(132)**	–
Deferred taxation	**(274)**	(8,571)
	20,410	23,576

No taxation has been included in the consolidated profit and loss account as share of profits of associated companies (2005: HK$1,970,000).

8 Dividend

No dividend has been paid or declared by the Company for the period ended 30 June 2006 and 2005.

9 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding own shares held.

	Unaudited Six months ended 30 June 2006	2005
Profit attributable to equity holders of the Company *(HK$'000)*	**91,262**	169,348
Weighted average number of ordinary shares in issue	**3,893,270,558**	3,889,997,150
Basic earnings per share *(HK cents per share)*	**2.34**	4.35

Diluted

No diluted earnings per share is presented for the six months ended 30 June 2006 and 2005 as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company during the respective periods, and the conversion of the convertible bonds would have an anti-dilutive effect during these periods.

10 Trade and other receivables

	Unaudited 30 June 2006 *HK$'000*	Audited 31 December 2005 *HK$'000*
Trade receivables, net of provision	**642,608**	764,977
Prepayments, deposits and other receivables	**438,863**	434,292
	1,081,471	1,199,269

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 June 2006 *HK$'000*	Audited 31 December 2005 *HK$'000*
1-30 days	**255,389**	307,208
31-60 days	**168,753**	181,909
61-90 days	**85,635**	118,300
Over 90 days	**208,816**	227,268
	718,593	834,685
Less: Provision	**(75,985)**	(69,708)
	642,608	764,977

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

Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

11 Trade and other payables

	Unaudited 30 June 2006 *HK$'000*	Audited 31 December 2005 *HK$'000*
Trade payables	**242,065**	243,349
Other payables and accruals	**519,147**	618,315
	761,212	861,664

The ageing analysis of the Group's trade payables at end of the period is as follows:

	Unaudited 30 June 2006 *HK$'000*	Audited 31 December 2005 *HK$'000*
1-30 days	**94,287**	121,295
31-60 days	**49,243**	42,458
61-90 days	**26,762**	25,658
Over 90 days	**71,773**	53,938
	242,065	243,349

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

12 Reserves

	Share premium account *HK$'000*	**Capital reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**General reserve** *HK$'000*	**Available-for-sale financial assets reserve** *HK$'000*	**Exchange difference** *HK$'000*	**Convertible bonds reserve** *HK$;000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2005	3,621,591	59,303	776	80,067	(5,438)	(2,594)	179,036	(1,688,725)	2,244,016
Investment revaluation deficit	–	–	–	–	(21,659)	–	–	–	(21,659)
Exchange difference	–	–	–	160	(27)	(1,123)	–	–	(990)
Profit for the period	–	–	–	–	–	–	–	169,348	169,348
Appropriation to general reserve	–	–	–	1,094	–	–	–	(1,094)	–
Pension obligation	–	–	–	–	–	–	–	(543)	(543)
Buy-back of convertible bonds	–	–	–	–	–	–	(4,709)	–	(4,709)
Employee share option schemes – value of employee services	–	21,188	–	–	–	–	–	–	21,188
At 30 June 2005	3,621,591	80,491	776	81,321	(27,124)	(3,717)	174,327	(1,521,014)	2,406,651
At 1 January 2006	**3,625,981**	**96,567**	**776**	**99,839**	**(50,195)**	**4,462**	**174,327**	**(1,445,055)**	**2,506,702**
Investment revaluation deficit	**–**	**–**	**–**	**–**	**(16,097)**	**–**	**–**	**–**	**(16,097)**
Exchange difference	**–**	**–**	**–**	**182**	**(16)**	**42,105**	**–**	**–**	**42,271**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**91,262**	**91,262**
Employee share option schemes – value of employee services	**–**	**8,972**	**–**	**–**	**–**	**–**	**–**	**–**	**8,972**
At 30 June 2006	**3,625,981**	**105,539**	**776**	**100,021**	**(66,308)**	**46,567**	**174,327**	**(1,353,793)**	**2,633,110**

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. 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 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

GENERAL INFORMATION

The consolidated financial statements of the Group for the six months ended 30 June 2006 have been reviewed by the audit committee of the Company and, in accordance with SAS700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's auditors, PricewaterhouseCoopers. The auditors' review report will be included in the Interim Report to the shareholders of the Company.

As at the date hereof, the directors of the Company are:

Executive Directors:
Ms. Tommei Tong
Ms. Angela Mak

Independent non-executive Directors:
Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha

Non-executive Directors:
Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Mr. Wang Lei Lei

* *For identification purpose*