

07

INTERIM REPORT



TOM Group Limited

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

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DEFINITIONS

“Associates”	has the meaning ascribed under the Listing Rules
“Beijing Lei Ting”	means Beijing Lei Ting Wan Jun Network Technology Limited
“CKH”	means Cheung Kong (Holdings) Limited
“Company”	means TOM Group Limited
“Director(s)”	means the director(s) of the Company
“Greater China”	means Mainland China, Hong Kong, Macau and Taiwan
“Group”	means the Company and its subsidiaries
“HWL”	means Hutchison Whampoa Limited
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the main board of the Stock Exchange
“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
“Pre-IPO Share Option Plan”	means the Pre-IPO Share Option Plan adopted by the Company on 11 February 2000
“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
“TOM Online”	means TOM Online Inc.

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 2007.

The first half of 2007 was challenging for TOM Group but the performance of various business groups were encouraging. While the overall performance of the Group was impacted by the online business; all the offline business groups showed improvements in both revenues and segment profit.

Financial Highlights

	For the six months ended	
	30 June 2007	30 June 2006*
	HK\$'000	HK\$'000
Revenues		
Offline business	782,151	691,259
Online business	564,859	781,881
	1,347,010	1,473,140
Segment profit		
Offline business	72,416	52,803
Online business	56,500	207,602
	128,916	260,405
(Loss)/profit attributable to shareholders	(72,346)**	91,262***
Basic (Loss)/earnings per share (HK cents)	(1.81)**	2.69***

* Restated to reflect the discontinued operations of the Sports Group

** Included TOM Online's goodwill impairment of HK\$53 million and share of TOM Eachnet's loss of HK\$54 million

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

For the six months ended 30 June 2007:

- Group Revenues were HK\$1,347 million
- Segment profit was HK\$129 million
- EBITDA was HK\$97 million
- Loss attributable to shareholders was HK\$72 million
- Loss per share from continuing operations was HK1.81 cents

Financial Performance

For the six months ended 30 June 2007, the TOM Group reported revenues of HK\$1,347 million, a drop of 8.6% compared to the same period last year's HK\$1,473 million. Segment profit was HK\$129 million versus last year's HK\$260 million. Segment profit margin was 9.6% compared to last year's 17.7%. Loss attributable to shareholders was HK\$72 million (included TOM Online's goodwill impairment of HK\$53 million and share of TOM Eachnet's loss of HK\$54 million) versus profit attributable to shareholders of HK\$91 million reported in the same period last year (included a deemed disposal net gain of HK\$25 million). Loss per share from continuing operations for the six months was HK1.81 cents.

The Internet Group reported revenues of HK\$565 million, a drop of 27.8% compared to last year's HK\$782 million. Segment profit for the period dropped by 72.8% to HK\$57 million. Revenues of the Publishing Group increased by 3.4% to HK\$482 million for the six months, compared to last year's HK\$466 million; segment profit grew by 9.6% to HK\$72 million, versus last year's HK\$66 million. Revenues of the Outdoor Media Group grew by 15.3% to HK\$213 million, compared to last year's HK\$185 million; segment profit was HK\$14 million versus last year's HK\$12 million. The Television and Entertainment Group reported revenues of HK\$87 million for the period, which included HK\$41 million of revenues generated by Yangcheng ("YC"). Excluding the revenues of YC, the Television and Entertainment Group posted a growth of 14.1% to HK\$46 million in revenues compared to last year's HK\$40 million. Segment loss for the Television and Entertainment group was HK\$14 million; excluding YC's segment profit of HK\$1.2 million, segment loss of the Television and Entertainment Group reduced by 39.3% to HK\$15 million, versus last year's HK\$25 million.

Business Review

Internet Group

Revenues of the Internet Group for the period were HK\$565 million, a drop of 27.8% versus last year's HK\$782 million. Operations of TOM Online made up about 97.9% of Internet Group's total revenues. Segment profit dropped by 72.8% to HK\$57 million compared to last year's HK\$208 million. Segment profit margin for the period was 10.0% versus last year's 26.6%.

For the first six months of 2007, total wireless Internet revenues dropped by 31.9% to HK\$484 million versus last year's HK\$711 million and accounted for 89.3% of TOM Online's total revenues. Online advertising revenues dropped by 8.3% to HK\$47 million compared to last year's HK\$51 million, and made up about 8.7% of TOM Online's total revenues.

In May 2007, China Mobile introduced a new practice of sending fee reminders to its WAP service users when they request downloads of WAP pages onto their mobile handsets and seeking their confirmation before such download requests are processed. Furthermore, in the past, China Mobile entered into its own strategic alliances with selected mobile phone producers pursuant to which it embedded menus in their handsets for all the best-selling products on China Mobile's Monternet wireless portal, including certain of our products. However, beginning in May 2007, China Mobile has started to promote only its own wireless value-added service products in such menus and does not include ours or those of any other third-party value-added service providers. These policies had a significant adverse impact on TOMO's wireless Internet business in 2Q07. A goodwill impairment of approximately HK\$53 million on the Wireless Internet business was made for the six months.

Although these new measures adversely impacted TOM Online in the period and the last half of 2006 in the short run, we believe that in the longer term there remains good opportunities for the continued development of our wireless Internet businesses. Throughout this difficult period, TOM Online has maintained a healthy working relationship with China Mobile. In addition, certain products, such as SMS (“Short Messaging Service”) and CRBT (“Color Ring Back Tone”) continued to post growth (14% and 3% respectively in the second quarter of 2007 compared with the first quarter of the year). For the first six months of 2007, revenues CRBT grew 19% over last year.

Online advertising reported revenues of HK\$47 million, representing a drop of 8.3% compared to last year’s HK\$51 million.

Beginning on 1 February 2007, TOMO recognized its share of losses from the TOM Eachnet JV based on the equity method of accounting. For the six months ended 30 June 2007, its 51% share of losses from the TOM Eachnet JV was approximately HK\$54 million and has been included in share of loss on equity investment in a joint venture in the unaudited consolidated profit and loss account.

Before its share of start-up losses of TOM Eachnet JV and the goodwill impairment, TOM Online achieved positive cashflow from operations of HK\$55 million for the first half of the year.

The new platform of TOM Eachnet was formally launched on 12 July 2007 with a more simplified and user-friendly interface for Chinese users. The independent platform in China is much more responsive to users’ requests and functionality updates. Daily page views reached 17 million in early August. The TOM Eachnet platform is now a standalone platform. More new functions will be launched and marketing efforts which has been put on hold during the development of the new platform will be stepped up in the coming months to enhance traffic and transaction volume of the website.

At the end of July 2007, TOM-Skype registered users were 51.0 million, up from over 35.5 million at the end of March 2007. Value added services will be launched in the near future to leverage on the user base.

Publishing Group

The Publishing Group reported revenues of HK\$482 million for the first six months of 2007, a moderate growth of 3.4% over last year’s HK\$466 million. Segment profit of the group grew by 9.6% to HK\$72 million, compared to last year’s HK\$66 million. Segment profit margin for the six months improved from last year’s 14.1% to 14.9%. Excluding the disposal gain of HK\$14 million from the disposal of Yazhou Zhoukan in the first half of 2006, segment profit increased by 41.2% and segment profit margin improved from last year’s 10.9% to 14.9% for the six months.

In the first half of 2007, advertising revenues made up 31% of the group’s total, magazine sales made up 24%, while book sales accounted for 41%. Revenue from Taiwan accounted for 98% of the total revenues, with the rest generated from Mainland China and Hong Kong.

The performance of Taiwan Publishing in the first half was encouraging given the competitive operating environment in which it operates. The Taiwan magazine business continued to perform well in the first half of the year. Advertising revenues of the Taiwan magazines maintained steady growth in the first half of the year. Magazine circulation volume increased about 20% over the same period last year. *Mom Baby*, a magazine published by *Nong Nong*, received an award as the most popular magazine for female in the age group of 25 to 34 from AC Nielsen, while *Citta Bella* became one of the top two fashion magazines in Taiwan. Two news stories reported by Business Weekly received the *SCOOP Award and Excellence in Reporting Breaking News* award from The Society of Publishers in Asia.

With the emphasis on profitability, the number of new book titles published by the Taiwan operations reduced by 13.4% for the first six months of the year as planned, and the total number of new books printed reduced by similar percentage compared to last year. Revenues of Cite, grew by 14.3% to HK\$119.7 million, gross profit grew by 37.4% to HK\$50 million and gross profit margin improved from last year's 35.0% to 42.1%.

Performance of the five magazines developed and launched in Mainland China by Taiwan operations were encouraging albeit they were still in investment stage. The number of subscribers increased more than 4 fold versus the same period last year; circulation revenues increased by 45.2% to HK\$1.5 million. Advertising revenues increased 24.4% over the same period last year, total number of pages for advertisement increased 46.2% over the past year. The February 2007 issue of "DG Best" awarded as one of the top 10 popular magazines in a survey conducted by ZCOM, a leading Internet magazine distributors in Mainland China.

Pixnet, (www.pixnet.net) a leading social networking website in Taiwan, acquired in February 2007, has been performing well. During the past six months since its acquisition, Pixnet's ranking in terms of traffic in Taiwan went up from 59th to 24th according to Alexa, an information company. In addition to increasing traffic, Pixnet has begun to generate advertising revenue. Pixnet acts as pre-marketing and pre-research platform for new books launched by the group and also produces online social networking channels for magazines within the group.

Outdoor Media Group

Revenues of the Outdoor Media Group ("OMG") were HK\$213 million for the first six months of 2007, a growth of 15.3% compared to the same period last year's HK\$185 million. Segment profit of the group grew by 19.1% to HK\$14 million versus last year's HK\$12 million. Segment profit margin was 6.7% compared to last year's 6.5%.

In the first six months of 2007, revenues from self-owned/leased media made up 61% of the total, media buying made up 27%, with the remainder generated from professional services. Average selling price of self-built/leased assets for the period increased 24.7% over the same period last year. Average selling price of billboard and unipole increased 38.4% versus last year.

Total media asset space of OMG maintained at about 340,000 square meters; self-owned/leased assets made up about 87% of total assets, and the remainder was media buying. Billboard and unipole made up 77% of the total media assets, street furniture and transportation advertisements made up 22% and remaining 1% were other media. Occupancy rate of self-owned/leased assets were about 71% compared to 73% at the end of 2006.

OMG has been stepping up its development in the first tier cities including Beijing, Shanghai, Guangzhou and Shenzhen in the first six months of the year; apart from the development of digital light boxes in Puxi of Shanghai and various projects in negotiations in Shanghai, it has just secured several spectacular billboards located in a prime location of Beijing city in July 2007. OMG believes that the newly secured billboards will enable the group to capture good business opportunities resulting from the 2008 Beijing Olympics.

In the first half of the year, OMG continued to expand its media assets portfolio in different higher margin categories in the first tier cities as well as leading second tier cities, though the focus of the group remains on billboard and unipole. Initiatives were also undertaken to strengthen the group's network sales by enhanced integration within subsidiaries. As at 30 June 2007, OMG operated 16 subsidiaries with advertising presence in over 60 cities throughout Mainland China.

Television and Entertainment Group

Revenues of the Television and Entertainment Group grew by 116.1% to HK\$87 million, compared to last year's HK\$40 million. Starting from the fiscal year of 2007, results of YC, previously a sports marketing company, are grouped under the Television and Entertainment Group. In the first half of the year, YC reported revenues of HK\$41 million which were mainly advertising revenues. Excluding the revenues of YC, the Television and Entertainment Group posted a growth of 14.1% to HK\$46 million in revenues compared to last year's HK\$40 million. Segment loss for the Television and Entertainment group was HK\$14 million; excluding YC's segment profit of HK\$1.2 million, segment loss of the Television and Entertainment Group reduced by 39.3% to HK\$15 million versus last year's HK\$25 million.

Advertising revenues made up 80% of the total revenues of CETV for the six months ended 2007, compared to last year's 86%; with the rest contributed by new media, events and program syndication. Revenues from event management of CETV increased substantially at over 50% versus last year; contracts secured and to be recognized in the second half of the year amounted to over HK\$17 million. Leveraging on its broadcasting platform, CETV organized events for certain large local clients such as Shenzhen Telecom as well as various international brands. Program syndication of CETV maintained a moderate growth in the first half of 2007 and it is expected that with more in-house productions in pipeline, revenues from program syndication will continue to grow.

A new company was set up under the Television and Entertainment Group to further pursue new media initiatives. The new TV Interactive company will work closely with TOMO and CETV in producing interactive programs leveraging the multi-media platform of TOM Group. The new company will also work with other wireless services providers and television networks.

The restructuring of YC held in the first half of 2006 has successfully repositioned the Company as an integrated marketing communication expert. In the first half of the year, revenues of YC were mainly generated from event, PR promotion production services and media buying business. YC has organized events for various international brands, including a countrywide campaign for Nokia covering 42 cities throughout Mainland China. The Company has also played a significant role in cross-selling relevant products from all of TOM Group's business groups, especially OMG and CETV.

Business Outlook

The privatization of TOM Online was approved by a majority of votes by shareholders in the Court meeting and EGM held on 10 August 2007 respectively. This will result in an estimated annual operating saving of HK\$40 million, TOM Online's joint ventures with Skype and Ebay will diversify and broaden the revenues streams of the Group's online businesses. The TV Interactive company will expand both the content production and distribution capabilities of the Group. These initiatives, together with continued focus on operating and financial disciplines in the Publishing, Outdoor Media and Television and Entertainment Groups should lay the foundation for improved performance going forward.

I would like to take this opportunity to thank the management and staff for their continuing hard work and dedication.

Frank Sixt
Chairman

Hong Kong, 21 August 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2007, TOM Group had bank and cash balance, including pledged deposits, of approximately HK\$1,686 million and listed debt securities of approximately HK\$1,692 million, of which bank balance and listed debt securities of approximately HK\$36 million and HK\$1,614 million, respectively were pledged to secure bank loan facilities of the Group. A total of HK\$4,740 million financing facilities from banks were available, of which HK\$2,485 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 30 June 2007. This total available financing facilities included a total of US\$230 million (approximately HK\$1,794 million) which was secured by the Group for the purpose of financing the privatization of TOM Online as disclosed in the scheme document dated 30 April 2007 jointly issued by TOM Online and the Group.

Total borrowings of TOM Group amounted to approximately HK\$2,681 million as at 30 June 2007. This included liability portion of convertible bonds of approximately HK\$196 million, long-term bank and other loans of approximately HK\$2,133 million and short-term bank and other loans of approximately HK\$352 million. The gearing ratio of TOM Group was 38.1% as at 30 June 2007, as compared to 40.3% as at 31 December 2006.

As at 30 June 2007, the Group had net current assets of approximately HK\$990 million, as compared with HK\$864 million as at 31 December 2006.

As at 30 June 2007, the current ratio of TOM Group was 1.47 compared to 1.43 as at 31 December 2006.

For the six months of 2007, the Group generated net cash of HK\$9 million from its operating activities, as compared to net cash inflow of approximately HK\$274 million in the same period of 2006.

Charges on Group Assets

As at 30 June 2007, the Group had listed debt securities with a market value of approximately HK\$1,614 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK\$1,489 million. In addition, bank deposits, cash and other assets at total net book value of approximately HK\$42 million were pledged to banks for securing banking and other facilities granted to certain subsidiaries and an associate company 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 2007, TOM Group had no material contingent liabilities.

Employee Information

As at 30 June 2007, TOM Group had 3,991 full-time employees. During the first six months of the year, employee and stock option costs, including Directors' emoluments, totaled at HK\$300 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2006.

INDEPENDENT REVIEW REPORT



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**REPORT ON REVIEW OF INTERIM FINANCIAL REPORT
TO THE BOARD OF DIRECTORS OF TOM GROUP LIMITED**
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 11 to 34, which comprises the condensed consolidated balance sheet of TOM Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007, and the condensed consolidated profit and loss account, the condensed consolidated statement of recognised income and expense and the condensed consolidated cash flow statement 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 Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report 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 report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report 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 report 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 report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2007

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Profit And Loss Account

For the six months ended 30 June 2007

	Note	Unaudited Six months ended 30 June 2007 HK\$'000	2006 HK\$'000 (As restated)
Continuing operations			
Turnover	3	<u>1,347,010</u>	<u>1,473,140</u>
Cost of sales		(877,495)	(876,220)
Interest income		50,204	49,544
Selling and marketing expenses		(160,728)	(151,610)
Administrative expenses		(118,177)	(128,534)
Other operating expenses		(135,062)	(132,262)
Provision for goodwill impairment	4	(53,283)	–
Share of losses of jointly controlled entities		(54,030)	(327)
Share of profits of associated companies		<u>8,435</u>	<u>5,014</u>
Operating profit before net gain on deemed disposals of interests in subsidiaries		<u>6,874</u>	238,745
Net gain on deemed disposals of interests in subsidiaries	5	–	<u>24,601</u>
Operating profit	6	<u>6,874</u>	263,346
Finance costs	7	<u>(68,792)</u>	<u>(66,818)</u>
(Loss)/profit before taxation		<u>(61,918)</u>	196,528
Taxation	8	<u>(24,412)</u>	<u>(20,542)</u>
(Loss)/profit for the period from continuing operations		<u>(86,330)</u>	175,986
Discontinued operations			
Loss for the period from discontinued operations	9	<u>(1,780)</u>	<u>(13,938)</u>
(Loss)/profit for the period		<u>(88,110)</u>	<u>162,048</u>
Attributable to:			
Minority interests		<u>(15,764)</u>	<u>70,786</u>
Equity holders of the Company		<u>(72,346)</u>	<u>91,262</u>
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	11		
From continuing operations			
Basic		<u>HK(1.81) cents</u>	<u>HK2.69 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>
From discontinued operations			
Basic		<u>HK(0.05) cents</u>	<u>HK(0.34) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	12	275,119	302,314
Goodwill	13	2,637,585	2,719,455
Other intangible assets	14	70,843	104,316
Interests in jointly controlled entities		(36,454)	14,171
Interests in associated companies		231,146	231,093
Available-for-sale financial assets		1,745,743	1,986,388
Loans and receivables		2,112	2,091
Deferred tax assets		45,521	42,896
Other non-current assets		21,823	19,501
		<u>4,993,438</u>	<u>5,422,225</u>
Current assets			
Assets classified as held for sale	15	210,384	93,973
Inventories		128,145	130,068
Trade and other receivables	16	1,056,579	988,133
Restricted cash	17	35,575	37,546
Bank balances and cash		1,650,696	1,618,778
		<u>3,081,379</u>	<u>2,868,498</u>
Current liabilities			
Liabilities classified as held for sale	15	11,011	7,920
Consideration payables		134,330	129,220
Trade and other payables	18	803,983	816,689
Taxation payable		45,165	56,858
Long-term bank loans – current portion		745,060	265,786
Short-term bank and other loans		351,810	727,569
		<u>2,091,359</u>	<u>2,004,042</u>
Net current assets		<u>990,020</u>	<u>864,456</u>
Total assets less current liabilities		<u>5,983,458</u>	<u>6,286,681</u>
Non-current liabilities			
Deferred tax liabilities		14,650	11,617
Other non-current liabilities	19	1,612,467	1,953,286
		<u>1,627,117</u>	<u>1,964,903</u>
Net assets		<u>4,356,341</u>	<u>4,321,778</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	389,328	389,328
Reserves	23	2,547,430	2,544,673
Own shares held		(6,244)	(6,244)
Shareholders' funds		<u>2,930,514</u>	<u>2,927,757</u>
Minority interests	24	1,425,827	1,394,021
Total equity		<u>4,356,341</u>	<u>4,321,778</u>

Condensed Consolidated Statement of Recognised Income and Expense

For the six months ended 30 June 2007

	Unaudited	
	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revaluation surplus/(deficit) on available-for-sale financial assets	9,844	(19,552)
Exchange translation differences	99,657	61,725
Net income recognised directly in equity	109,501	42,173
(Loss)/profit for the period	(88,110)	162,048
Total recognised income and expense for the period	<u>21,391</u>	<u>204,221</u>
Attributable to:		
Minority interests	<u>23,087</u>	<u>86,785</u>
Equity holders of the Company	<u>(1,696)</u>	<u>117,436</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Unaudited	
	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	8,697	273,977
Net cash from/(used in) investing activities	266,780	(221,663)
Net cash (used in)/from financing activities	(243,559)	557,315
Net increase in cash and cash equivalents	31,918	609,629
Cash and cash equivalents at the beginning of the period	1,618,778	1,081,506
Cash and cash equivalents at the end of the period	1,650,696	1,691,135

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 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 2006 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 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

Amendment to HKAS 1	“Presentation of Financial Statements: Capital Disclosures”
HKFRS 7	“Financial Instruments: Disclosures”
HK(IFRIC)-Int 7	“Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies”
HK(IFRIC)-Int 8	“Scope of HKFRS 2”
HK(IFRIC)-Int 9	“Reassessment of Embedded Derivatives”
HK(IFRIC)-Int 10	“Interim Financial Reporting and Impairment”

All the new standards, amendments to standards and interpretations above are either not relevant or do not have material impacts to the Group.

2 New standards not yet effective

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective for 2007:

HKAS 23 (Revised)	“Borrowing Costs”
HKFRS 8	“Operating Segments”
HK(IFRIC)-Int 11	“HKFRS 2 – Group and Treasury Share Transactions”
HK(IFRIC)-Int 12	“Service Concession Arrangements”

The Group has commenced an assessment of the impacts of these new standards or interpretations and they are not expected to have a significant impact on the Group’s results and financial position.

3 Segment reporting

Primary reporting format – business segments

The Group is organised into the following business segments:

Continuing operations

- Internet Group – provision of wireless internet services, online advertising, commercial enterprise solutions, and internet access.
- 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, provision of broadcasting post production services, event organisation and sponsorship sales.

Discontinued operations

- Sports Group – event organisation, advertising and sponsorship sales in relation to sports events and programmes.

Since 1 January 2007, Sports Group has ceased to participate in or organise any sports events. Further details of the discontinuation of the Sports Group segment are set out in note 9 to the condensed consolidated interim financial statements.

	Unaudited As at 30 June 2007					Total HK\$'000
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Sports Group HK\$'000	
Segment assets	4,067,142	1,269,259	1,010,310	289,185	26,428	6,662,324
Assets classified as held for sale	97,967	-	-	-	112,417	210,384
Interests in jointly controlled entities	(36,454)	-	-	-	-	(36,454)
Interests in associated companies	1,973	229,173	-	-	-	231,146
Unallocated assets						<u>1,007,417</u>
Total assets						<u>8,074,817</u>
Segment liabilities	309,675	335,019	138,684	66,594	5,150	855,122
Liabilities classified as held for sale	11,011	-	-	-	-	11,011
Unallocated liabilities						<u>2,852,343</u>
Total liabilities						<u>3,718,476</u>

	Audited As at 31 December 2006					Total
	Internet Group	Publishing Group	Outdoor Media Group	Television and Entertainment Group	Sports Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,974,986	1,261,094	1,024,608	217,596	221,646	6,699,930
Assets classified as held for sale	93,973	–	–	–	–	93,973
Interests in jointly controlled entities	14,171	–	–	–	–	14,171
Interests in associated companies	1,246	229,847	–	–	–	231,093
Unallocated assets						<u>1,251,556</u>
Total assets						<u>8,290,723</u>
Segment liabilities	287,538	358,022	155,795	38,182	45,650	885,187
Liabilities classified as held for sale	7,920	–	–	–	–	7,920
Unallocated liabilities						<u>3,075,838</u>
Total liabilities						<u>3,968,945</u>

Secondary reporting format – geographical segments

The Group's business segments are operated in three main geographical areas:

Hong Kong – Internet Group, Publishing Group and Television and Entertainment Group

Mainland China – Internet Group, Publishing Group, Outdoor Media Group, Sports Group (discontinued operations) and Television and Entertainment Group

Taiwan and other Asian countries – Internet Group and Publishing Group

There are no significant sales between the geographical segments.

	Unaudited Turnover					
	Six months ended 30 June 2007			Six months ended 30 June 2006		
	Continuing Operations	Discontinued Operations	Consolidated Total	Continuing Operations	Discontinued Operations	Consolidated Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	7,704	–	7,704	8,152	–	8,152
Mainland China	866,819	–	866,819	994,779	48,857	1,043,636
Taiwan and other Asian countries	472,487	–	472,487	470,209	–	470,209
	<u>1,347,010</u>	<u>–</u>	<u>1,347,010</u>	<u>1,473,140</u>	<u>48,857</u>	<u>1,521,997</u>

	Unaudited Operating profit / (loss)					
	Six months ended 30 June 2007			Six months ended 30 June 2006		
	Continuing Operations	Discontinued Operations	Consolidated Total	Continuing Operations	Discontinued Operations	Consolidated Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	(5,547)	–	(5,547)	(399)	–	(399)
Mainland China	130,349	(1,808)	128,541	269,814	(14,012)	255,802
Taiwan and other Asian countries	87,201	–	87,201	74,310	–	74,310
	<u>212,003</u>	<u>(1,808)</u>	<u>210,195</u>	<u>343,725</u>	<u>(14,012)</u>	<u>329,713</u>
Amortisation and depreciation	(83,087)	(48)	(83,135)	(83,320)	(291)	(83,611)
Provision for goodwill impairment	(53,283)	–	(53,283)	–	–	–
Share of losses of jointly controlled entities	(54,030)	–	(54,030)	(327)	–	(327)
Share of profits of associated companies	8,435	–	8,435	5,014	–	5,014
Net gain on deemed disposals of interests in subsidiaries	–	–	–	24,601	–	24,601
Unallocated (costs)/ income	(23,164)	76	(23,088)	(26,347)	233	(26,114)
Operating profit/(loss)	<u>6,874</u>	<u>(1,780)</u>	<u>5,094</u>	<u>263,346</u>	<u>(14,070)</u>	<u>249,276</u>

4 Provision for goodwill impairment

In May 2007, China Mobile Communications Corporation (“China Mobile”) began the operational practice of displaying a service fee reminder to Wireless Application Protocol (WAP) service users when they requested for the download of a WAP page onto their mobile handsets and seeking their confirmation before processing the download request. In addition, China Mobile started to place links to only its own Wireless Value-added Services (WVAS) offerings on the embedded menus of mobile handsets with customized software for China Mobile users. In the past, such embedded menus on handsets featured links to all popular products on China Mobile’s networks, including the products of the Group. The Group believes the above changes by China Mobile could have an adverse impact on the Group’s WVAS business, in particular the WAP business.

In view of the adverse impact and the uncertainties in future operating environment, the Group tested the carrying value of goodwill in relation to the wireless internet business for impairment as at 30 June 2007 and recorded an impairment charge of HK\$53,283,000 for the six-month period ended 30 June 2007. The valuation was arrived at after using a combination of a market value approach (with comparisons to selected publicly traded companies operating in the same industry) and an income approach (discounted cash flows). Any continued adverse changes in mobile operators’ policies or in the competitive environment could lead to additional impairment charges and the Group is continually monitoring such changes to assess their impact on the Group.

5 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.

6 Operating profit

Operating profit is stated after charging / crediting the following:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$’000	HK\$’000
Charging:		
<u>Continuing operations</u>		
Depreciation of fixed assets	60,012	57,818
Amortisation of other non-current assets	24,317	27,729
Amortisation of other non-current assets included in interests in associated companies	<u>2,448</u>	<u>2,449</u>
<u>Discontinued operations</u>		
Depreciation of fixed assets	<u>48</u>	<u>291</u>
Crediting:		
<u>Continuing operations</u>		
Gain on disposal of a subsidiary (Note)	–	14,698
Gain on disposal of available-for-sale financial assets (Note)	5,193	–
Dividend income from available-for-sale financial assets	<u>–</u>	<u>543</u>
<u>Discontinued operations</u>		
Dividend income from available-for-sale financial assets	<u>–</u>	<u>377</u>

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 (“Ming Pao Shares”) 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. During the period ended June 2007, all Ming Pao Shares were sold which resulted in a profit of approximately HK\$5,193,000.

7 Finance costs

All finance costs were incurred in continuing operations and are shown as follows:-

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	63,489	39,368
Interest and borrowing costs on convertible bonds	5,001	27,041
Interest on other loans, wholly repayable within five years	302	409
	<u>68,792</u>	<u>66,818</u>

8 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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	
	2007	2006
	HK\$'000	HK\$'000
<u>Continuing operations</u>		
Overseas taxation	25,660	20,816
Over-provision in prior years	(2,139)	-
Deferred taxation	891	(274)
	<u>24,412</u>	<u>20,542</u>
<u>Discontinued operations</u>		
Over-provision in prior years	-	(132)

For the periods ended 30 June 2007 and 2006, no taxation has been included in the consolidated profit and loss account as share of profits of associated companies.

9 Discontinued operations

Since 1 January 2007, the Group has ceased to participate in any sports related events and is in the process of selling the core assets in relation to the China Open tennis tournament event in Beijing ("China Open"). On 18 March 2007, pursuant to a series of agreements with an independent third party, the Group agreed to dispose of its 49% equity interest in the Beijing China Open Promotion Company Limited ("COL"), and 100% equity interests in Champion Will International Limited ("Champion Will") and Swidon Enterprises Limited ("Swidon") for a total consideration of US\$15.5 million (approximately HK\$121 million). COL is mainly engaged in the organisation of the China Open, while Champion Will and Swidon are the holders of the ATP and WTA licences, respectively. The completion of the disposal is subject to, among others, the approval of the relevant authorities.

In addition, 廣東羊城廣告有限公司 and 廣東羊城報業體育發展有限公司 (collectively "Yangcheng") which were mainly involved in sports events organisation in prior years, also commenced to focus their operations in non sports-related activities since 1 January 2007. As a result, the results and assets and liabilities of Yangcheng have been included in the Television and Entertainment Group in the current period.

(i) Loss for the period from discontinued operations is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Turnover	–	48,857
Interest income	76	233
Operating expenses	(1,856)	(63,160)
Operating loss	(1,780)	(14,070)
Taxation	–	132
Loss for the period	(1,780)	(13,938)
Attributable to:		
Minority interest	–	(545)
Equity holders of the Company	(1,780)	(13,393)

(ii) Net cash flows of discontinued operations are summarised as below:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash inflows from operating activities	6,451	2,264
Net cash inflow from investing activities	54	313
Net increase in bank balances and cash	6,505	2,577
Bank balances and cash at the beginning of the period	5,460	30,210
Bank balances and cash at the end of the period	11,965	32,787

10 Dividend

No dividend has been paid or declared by the Company for the periods ended 30 June 2007 and 2006.

11 (Loss)/Earnings per share

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2007	2006
(Loss)/Earnings from continuing operations		
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(70,566)	104,655
Weighted average number of ordinary shares in issue	3,893,270,558	3,893,270,558
Loss from discontinued operations		
Net loss attributable to equity holders of the Company (HK\$'000)	(1,780)	(13,393)
Continuing operations		
Basic (loss)/earnings per share (HK cents per share)	(1.81)	2.69
Discontinued operations		
Basic loss per share (HK cents per share)	(0.05)	(0.34)

Diluted

No diluted (loss)/earnings per share is presented for the six months ended 30 June 2007 and 2006 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.

12 Fixed assets

	<i>HK\$'000</i>
At 1 January 2006	315,592
Additions	48,578
Acquisition of subsidiaries	1,083
Disposals	(4,579)
Depreciation charge	(58,109)
Exchange adjustment	3,673
At 30 June 2006	306,238
Additions	49,969
Acquisition of subsidiaries	4,451
Transfer to other intangible assets	(2,721)
Reclassification to assets held for sale	(1,082)
Disposals	(1,206)
Depreciation charge	(57,786)
Exchange adjustment	4,451
At 31 December 2006	302,314
Additions	28,091
Acquisition of a subsidiary (<i>note 27(a)</i>)	395
Disposals	(2,763)
Depreciation charge	(60,060)
Exchange adjustment	7,142
At 30 June 2007	<u>275,119</u>

13 Goodwill

	<i>HK\$'000</i>
At 1 January 2006	2,514,896
Additions	129,952
Consideration adjustments for acquisition of subsidiaries	665
Disposal of a subsidiary	(27,493)
Exchange adjustments	45,351
At 30 June 2006	2,663,371
Additions	113,011
Consideration adjustments for acquisition of subsidiaries	(8,465)
Transferred to assets held for sale (<i>note 15(a)</i>)	(72,997)
Provision for impairment	(11,000)
Exchange adjustments	35,535
At 31 December 2006	2,719,455
Additions (<i>note 27(a)</i>)	7,026
Consideration adjustments for acquisition of subsidiaries	(3,961)
Provision for goodwill impairment	(53,283)
Transferred to assets held for sale (<i>note 15(b)</i>)	(85,117)
Exchange adjustments	53,465
At 30 June 2007	<u>2,637,585</u>

14 Other intangible assets

	Concession rights <i>HK\$'000</i>	Licence rights and royalties <i>HK\$'000</i>	Publishing rights <i>HK\$'000</i>	Purchased programme and film rights <i>HK\$'000</i>	Software <i>HK\$'000</i>	Customer base and technical know-how <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	36,115	29,882	9,180	8,243	6,725	1,728	91,873
Additions	3,716	–	3,926	18,127	–	–	25,769
Acquisition of subsidiaries	–	890	–	–	85	20,036	21,011
Amortisation charge	(4,697)	(816)	(2,334)	(17,469)	(1,085)	(1,328)	(27,729)
Exchange adjustment	1,498	101	183	–	100	87	1,969
At 30 June 2006	36,632	30,057	10,955	8,901	5,825	20,523	112,893
Additions	2,797	–	489	4,896	–	–	8,182
Acquisition of subsidiaries	5,941	–	–	–	–	–	5,941
Transfer from construction in progress	2,721	–	–	–	–	–	2,721
Amortisation charge	(5,195)	(902)	(3,614)	(10,275)	(1,014)	(3,860)	(24,860)
Reclassification to assets held for sale	–	–	–	–	–	(951)	(951)
Exchange adjustment	(148)	46	(2)	–	111	383	390
At 31 December 2006	42,748	29,201	7,828	3,522	4,922	16,095	104,316
Additions	364	–	281	17,572	–	–	18,217
Amortisation charge	(5,284)	(928)	(1,822)	(11,498)	(1,042)	(3,743)	(24,317)
Disposal	(657)	–	–	–	–	–	(657)
Reclassification to assets held for sale (note 15(b))	–	(27,300)	–	–	–	–	(27,300)
Exchange adjustment	(19)	47	(29)	–	138	447	584
At 30 June 2007	<u>37,152</u>	<u>1,020</u>	<u>6,258</u>	<u>9,596</u>	<u>4,018</u>	<u>12,799</u>	<u>70,843</u>

15 Assets and Liabilities Held for Sale

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Assets held for sale		
Indiagames Limited (note a)	97,967	93,973
COL (note b)	112,417	–
	<u>210,384</u>	<u>93,973</u>
Liabilities held for sale		
Indiagames Limited (note a)	<u>11,011</u>	<u>7,920</u>

(a) *Indiagames Limited ("Indiagames")*

In December 2006, TOM Online Inc. ("TOMO"), a non wholly-owned subsidiary of the Company, committed to a plan which was approved by the TOMO's Board of Directors on 29 December 2006 to sell its entire equity interests in Indiagames in order to focus on the China market and initiated actions to locate a buyer. As a result, the assets and liabilities of Indiagames were classified as held for sale and presented separately as current assets and liabilities on the consolidated balance sheet as at 31 December 2006 and 30 June 2007.

On 5 March 2007, the Group signed a binding term sheet with a potential buyer for the disposal of Indiagames and the definitive agreement was still under finalisation as at 30 June 2007. The Group expects the disposal will be completed in the second half of 2007.

The major classes of assets and liabilities classified as held for sale were as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Cash and cash equivalents	14,863	23,049
Trade and other receivables	31,257	30,382
Goodwill (note 13)	72,997	72,997
Other non-current assets	8,904	3,517
	128,021	129,945
Less: Provision for impairment (note (i))	(36,044)	(36,044)
Exchange adjustment	5,990	72
Assets held for sale	97,967	93,973
Trade and other payables	11,011	7,920
Liabilities held for sale	11,011	7,920

- (i) A provision for impairment of assets held for sale of HK\$36,044,000 with reference to the expected disposal value of the assets less costs to sell.

(b) *COL*

The assets and liabilities in relation to the disposal of the Group's interest in COL, Champion Will and Swidon as disclosed in note 9 were classified as held for sale and presented separately as current assets on the consolidated balance sheet as at 30 June 2007.

	HK\$'000
Goodwill (note 13)	85,117
License right (note 14)	27,300
Assets held for sale	112,417

16 Trade and other receivables

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Trade receivables, net of provision	567,480	555,227
Prepayments, deposits and other receivables	489,099	432,906
	<u>1,056,579</u>	<u>988,133</u>

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

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
1-30 days	206,643	204,232
31-60 days	133,916	133,722
61-90 days	86,037	74,707
Over 90 days	220,264	222,204
	<u>646,860</u>	634,865
Less: Provision for impairment	<u>(79,380)</u>	<u>(79,638)</u>
	<u>567,480</u>	<u>555,227</u>
Represented by:		
Receivables from an associated company	–	9,360
Receivables from related companies	261	598
Receivables from third parties	567,219	545,269
	<u>567,480</u>	<u>555,227</u>

- (a) The carrying values of trade and other receivables approximate their fair values.
- (b) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

17 Restricted Cash

As at 30 June 2007, bank deposits and cash of the Group totalling of US\$2,344,000 (approximately HK\$18,280,000) (31 December 2006: US\$2,344,000 or approximately HK\$18,280,000), NT9,200,000 (approximately HK\$2,194,000) (31 December 2006: NT9,515,000 or approximately HK\$2,273,000) and RMB618,000 (approximately HK\$637,000) (31 December 2006: RMB618,000 or approximately HK\$618,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company and RMB14,043,000 (approximately HK\$14,464,000) (31 December 2006: RMB14,043,000 or approximately HK\$14,043,000) were pledged to banks for securing banking facilities granted to an associated company respectively.

In addition, included in the restricted cash of the Group as at year ended 31 December 2006 was an amount of US\$300,000 (approximately HK\$2,332,000), representing money held in escrow pursuant to tax warrants provided by the founder of Indiagames.

18 Trade and other payables

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Trade payables	222,662	271,402
Other payables and accruals	581,321	545,287
	<u>803,983</u>	<u>816,689</u>

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

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
1-30 days	85,831	123,629
31-60 days	38,042	47,324
61-90 days	20,461	27,737
Over 90 days	78,328	72,712
	<u>222,662</u>	<u>271,402</u>
Represented by:		
Payable to an associated company	-	3,116
Payable to related companies	1,174	286
Payable to third parties	221,488	268,000
	<u>222,662</u>	<u>271,402</u>

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

19 Other non-current liabilities

	Unaudited 30 June 2007 <i>HK\$'000</i>	Audited 31 December 2006 <i>HK\$'000</i>
Non-current portion of long-term bank loans	1,388,310	1,733,436
Convertible bonds	195,522	191,023
Pension obligations	28,635	28,827
	<u>1,612,467</u>	<u>1,953,286</u>

20 Movements in borrowings

	Short-term bank and other loans <i>HK\$'000</i>	Long-term bank loans <i>HK\$'000</i>	Loans from minority shareholders <i>HK\$'000</i>	Convertible bonds- liability portion <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2006	75,213	1,577,415	9,946	1,032,803	2,695,377
Borrowings	294,317	73,842	6,021	–	374,180
Repayments	(74,241)	(37,236)	–	–	(111,477)
Convertible bonds interests, net of payments of coupon interests	–	–	–	24,194	24,194
Exchange adjustments	27	5,185	–	–	5,212
As at 30 June 2006 (unaudited)	<u>295,316</u>	<u>1,619,206</u>	<u>15,967</u>	<u>1,056,997</u>	<u>2,987,486</u>
As at 1 January 2007	727,569	1,999,222	–	191,023	2,917,814
Borrowings	33,659	–	–	–	33,659
Repayments	(135,115)	(142,990)	–	–	(278,105)
Reclassification upon loan extension	(274,662)	274,662	–	–	–
Convertible bonds interests, net of payments of coupon interests	–	–	–	4,499	4,499
Exchange adjustments	359	2,476	–	–	2,835
As at 30 June 2007 (unaudited)	<u>351,810</u>	<u>2,133,370</u>	<u>–</u>	<u>195,522</u>	<u>2,680,702</u>

21 Share capital

	No. of ordinary shares of HK\$0.1 each	<i>HK\$'000</i>
Authorised:		
As at 1 January and 30 June 2006, and 1 January and 30 June 2007	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 January and 30 June 2006, and 1 January and 30 June 2007	<u>3,893,270,558</u>	<u>389,328</u>

22 Share option schemes

(a) Details of share options granted by the Company

	Six months ended 30 June			
	2007		2006	
	Pre-IPO Share Option Plan	Old Option Scheme	Pre-IPO Share Option Plan	Old Option Scheme
Number of share options:				
At the beginning of the period	16,196,000	150,648,000	16,196,000	164,682,000
Lapsed during the period	–	(5,000,000)	–	(10,096,000)
Cancelled during the period	–	(77,546,000)	–	(1,450,000)
At the end of the period (unaudited)	<u>16,196,000</u>	<u>68,102,000</u>	<u>16,196,000</u>	<u>153,136,000</u>

Terms of the share options outstanding as at 30 June 2007 are:

Expiry date	Subscription price per share	Unaudited No. of share options	
		30 June 2007	30 June 2006
10 February – 14 November 2010	HK\$1.78 – HK\$11.30	39,656,000	48,402,000
6 February 2012	HK\$3.76	–	20,000,000
8 October 2013	HK\$2.505	39,642,000	90,930,000
15 February 2014	HK\$2.55	5,000,000	10,000,000
		<u>84,298,000</u>	<u>169,332,000</u>

For detailed information of the Pre-IPO Share Option Plan and Old Option Scheme of the Company, please refer to the 2006 annual report of the Company.

(b) Details of the share options granted by TOMO

	Six months ended 30 June			
	2007		2006	
	Pre-IPO Share Option Plan	Share Option Scheme	Pre-IPO Share Option Plan	Share Option Scheme
Number of share options:				
At the beginning of the period	181,247,231	18,000,000	220,457,181	18,000,000
Exercised during the period	–	–	(35,034,719)	–
Lapsed during the period	(385,921)	–	(616,685)	–
At the end of the period (unaudited)	<u>180,861,310</u>	<u>18,000,000</u>	<u>184,805,777</u>	<u>18,000,000</u>

Terms of the share options outstanding as at 30 June 2007 are:

Expiry date	Subscription price per share	Unaudited No. of share options	
		30 June 2007	30 June 2006
15 February 2014	HK\$1.50	180,861,310	184,805,777
10 May 2015	HK\$1.204	18,000,000	18,000,000
		<u>198,861,310</u>	<u>202,805,777</u>

For detailed information of the Pre-IPO Share Option Plan and Share Option Scheme of TOM Online, please refer to the 2006 annual report of the Company.

23 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 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	<u>3,625,981</u>	<u>105,539</u>	<u>776</u>	<u>100,021</u>	<u>(66,308)</u>	<u>46,567</u>	<u>174,327</u>	<u>(1,353,793)</u>	<u>2,633,110</u>
At 1 January 2007	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
Investment revaluation surplus	-	-	-	-	8,485	-	-	-	8,485
Reserve realised upon disposal	-	-	-	-	(756)	-	-	-	(756)
Exchange difference	-	-	-	(32)	-	62,197	-	-	62,165
Loss for the period	-	-	-	-	-	-	-	(72,346)	(72,346)
Employee share option schemes - value of employee services	-	5,209	-	-	-	-	-	-	5,209
At 30 June 2007	<u>3,625,981</u>	<u>119,717</u>	<u>776</u>	<u>111,253</u>	<u>(36,094)</u>	<u>146,274</u>	<u>30,879</u>	<u>(1,451,356)</u>	<u>2,547,430</u>

24 Minority interests

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
At 1 January	<u>1,394,021</u>	<u>1,017,497</u>
(Loss)/profit for the period/year attributable to minority interests	(15,764)	87,654
Exchange difference	37,492	45,082
Revaluation surplus on available-for-sale financial assets	1,359	1,264
Actuarial loss on defined benefit plan	-	(1,125)
Recognised income and expense attributable to minority interests	<u>23,087</u>	<u>132,875</u>
Acquisition of interests in subsidiaries	2,771	10,560
Dividend paid by subsidiaries to minority interests	(3,737)	(31,425)
Exercise of share options of a subsidiary granted to employees	-	32,990
Reclassified from loans from a minority shareholder	-	15,967
Deemed disposal of interests in subsidiaries	-	177,198
Contribution from minority shareholders	7,185	-
Disposal of a subsidiary/interests in subsidiaries	-	31,188
Employee share option scheme - value of employee services attributable to minority interests	2,500	7,717
Other reserves shared by minority interests	-	(546)
At 30 June/31 December	<u>1,425,827</u>	<u>1,394,021</u>

25 Pledge of assets

Save as disclosed in note 17, the Group has the following pledge of assets:

- (a) At as 30 June 2007, available-for-sale financial assets with a total market value of approximately HK\$1,614,065,000 (31 December 2006: HK\$1,758,646,000) were pledged to banks for securing bank loans totaling HK\$1,488,909,000 (31 December 2006: HK\$1,628,071,000).
- (b) As at 30 June 2007, concession rights and properties with net book values of approximately HK\$5,173,000 (31 December 2006: HK\$7,588,000) and HK\$835,000 (31 December 2006: HK\$11,003,000), respectively, were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

26 Contingent liabilities

As at 30 June 2007 and 31 December 2006, the Group had no significant contingent liabilities.

27 Business combinations*(a) Acquisition of Pixnet Digital Media Corporation ("Pixnet")*

On 14 February 2007, the Group, through a 82.5% owned subsidiary, Cite Publishing Limited, entered into a Sale and Purchase Agreement with the shareholders of Pixnet for the acquisition of 90% equity interests in Pixnet at a total consideration of NT\$135 million (approximately HK\$31,968,000), of which NT\$35 million (approximately HK\$8,288,000) is for the acquisition of existing shares of Pixnet from the existing shareholders, and NT\$100 million (approximately HK\$23,680,000) is to be injected into Pixnet for subscription of new Pixnet shares. Pixnet is principally engaged in the operation of popular online community and social networking websites in Taiwan.

The allocation of the consideration is as follows:

	<i>HK\$'000</i>
Fixed assets (<i>note 12</i>)	395
Trade and other receivables	38
Bank balances and cash	27,321
Trade and other payables	(41)
Minority Interests (<i>note 24</i>)	(2,771)
	<u>24,942</u>
Cost of acquisition	
Purchase consideration	<u>31,968</u>
Goodwill (<i>note 13</i>)	<u><u>7,026</u></u>

The acquiree's book values of net assets at the date of acquisition approximate their fair values as disclosed above.

The goodwill is attributable to the significant synergies with existing publishing business in Taiwan expected to arise after the Group's acquisition.

The Group's share of Pixnet's net assets as at 30 June 2007, post acquisition turnover and loss for the period ended 30 June 2007 amounted to approximately HK\$19,131,000, HK\$227,000 and HK\$1,599,000 respectively.

The unaudited proforma financial information in relation to the acquisition of Pixnet is not presented as the management considered it is not material to the Group.

(b) TOM Eachnet

Pursuant to a joint venture deed signed between TOMO and eBay International AG (“eBay”) on 20 December 2006, a joint venture, TOM Eachnet, has been formed on 1 February 2007 to carry on the business of owning and operating a mobile and Internet-based marketplace in China. TOM Eachnet is jointly controlled and owned by TOMO and eBay as to 51% and 49% respectively.

eBay provided an initial funding of US\$40,000,000 (equivalent to approximately HK\$312,000,000) cash to TOM Eachnet and TOMO will provide a shareholder’s loan in the amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000), bearing interest at 1.3% over London Inter-Bank Offered Rate (“LIBOR”), to TOM Eachnet when the remaining cash balance of TOM Eachnet is only enough to finance no more than six months of its operation. If the funding from eBay and the shareholder’s loan from TOMO have been fully utilised, additional funding in the form of shareholders’ loans of not exceeding US\$10,000,000 (equivalent to approximately HK\$78,000,000) will be provided by TOMO and eBay in equal proportions if additional funding is required by TOM Eachnet and as mutually agreed by eBay and TOMO. In addition, eBay injected its subsidiary engaging in the business of operating an online auction and marketplace site in China to TOM Eachnet while TOMO contributes its expertise in the Internet and mobile industries in China and its leadership and management services to TOM Eachnet.

The Group accounts for this joint venture using the equity method of accounting since 1 February 2007. As at 30 June 2007, the Group had a negative investment in TOM Eachnet of US\$6,426,000 (equivalent to approximately HK\$50,224,000), representing its investment cost of US\$527,000 (equivalent to approximately HK\$4,114,000), being contribution of services to TOM Eachnet by the Group, less the Group’s share of TOM Eachnet’s losses for the five months ended 30 June 2007 of US\$6,877,000 (equivalent to approximately HK\$53,733,000) and currency translation adjustment of US\$76,000 (equivalent to approximately HK\$605,000).

28 Commitments*(a) Capital commitments*

	Unaudited 30 June 2007 HK\$’000	Audited 31 December 2006 HK\$’000
Acquisition of new investments		
– Contracted but not provided for (<i>Note</i>)	156,000	176,814
Acquisition of fixed assets and other intangible assets		
– Contracted but not provided for	–	1,196
– Authorised but not contracted for	252,906	295,892
	408,906	473,902

Note: Included in the balance as at 30 June 2007 and 31 December 2006 was the commitment of US\$20,000,000 (approximately HK\$156,000,000) for financing the joint venture, TOM Eachnet. For details, please refer to note 27(b).

(b) As at 30 June 2007, the Group had no commitment in respect of contributions of registered capital of investments in Mainland China (31 December 2006: HK\$10,583,000).

(c) Except for the Group’s commitments to pay 2007 earn-out consideration of an unknown amount in relation to the Group’s acquisition of Gainfirst Asia Limited (For details, please refer to Note 41(b) and 45(c) of the Company’s 2006 annual report), the Group did not have any material contingent liabilities as at 30 June 2007.

29 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 16 and 18 to the interim financial statements, is set out below:

(a) Sales of goods and services

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Sales to		
– Hutchison Whampoa Limited (“HWL”) and its subsidiaries	6,215	4,149
– minority shareholders of subsidiaries and their subsidiaries	993	–

(b) Purchase of goods and services

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Cost of sales payable to		
– minority shareholders of subsidiaries and their subsidiaries	6,442	7,554
Office and warehouse rental and service fees payable to		
– an associated company of CKH	4,263	4,859
– a subsidiary of CKH	3,165	2,070
– minority shareholders of subsidiaries and their subsidiaries	240	903
Services fees payable to		
– HWL and its subsidiaries	4,376	5,461
– minority shareholders of subsidiaries and their subsidiaries	216	243
Interest expenses payable to		
– minority shareholders of subsidiaries and their subsidiaries	302	409

(c) Key management compensation

During the periods ended June 2006 and 2007, no transactions have been entered with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation).

30 Subsequent event

On 9 March 2007, the Company and TOMO made a joint announcement regarding a proposed conditional privatisation of TOMO by the Company by way of scheme of arrangement (the “Proposed Privatisation Plan”). Pursuant to the Proposed Privatisation Plan, the Company intended to propose that the issued shares of TOMO held by parties other than Cranwood Company Limited, Handel International Limited, Schumann International Limited and Devine Gem Management Limited are to be cancelled in exchange for HK\$1.52 per share in cash payable by the Company. Upon the completion of the cancellation, TOMO will apply for the withdrawal of the listing of its shares.

On 10 August 2007, the Proposed Privatisation Plan was duly approved at a court meeting and an extra-ordinary general meeting by the shareholders of TOMO. Subject to the fulfillment or waiver of certain other conditions, the Proposed Privatisation Plan is expected to become effective on 31 August 2007. In this respect, the Company is estimated to pay a total of HK\$1,577 million for 1,033,766,075 shares of TOMO to be cancelled. The Company is in the process of assessing the detail concrete financial impacts of the Proposed Privatisation Plan to the Group’s financial statements.

31 Approval of interim financial statements

The condensed consolidated interim financial statements have been approved by the Board of Directors on 21 August 2007.

DISCLOSURE OF INTERESTS

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

As at 30 June 2007, the interests or short positions of the Directors 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 for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

(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		
Angela Mak	Beneficial Owner	44,000	–	–	–	44,000	Below 0.01%
Wang Lei Lei	Beneficial owner	300,000	–	–	–	300,000	0.01%

(b) *Rights to acquire shares of the Company*

Pursuant to the Pre-IPO Share Option Plan and/or the Old Share Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company, details of which as at 30 June 2007 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 30 June 2007	Option period	Subscription price per share of the Company HK\$
Tommei Tong	9/10/2003	15,000,000 (Note 1)	9/10/2003-8/10/2013	2.505
Angela Mak	11/2/2000	3,026,000 (Note 2)	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 (Note 3)	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 (Note 4)	15/11/2000-14/11/2010	5.30
Wang Lei Lei	11/2/2000	9,080,000 (Note 2)	11/2/2000-10/2/2010	1.78
	9/10/2003	6,850,000 (Note 5)	9/10/2003-8/10/2013	2.505

Notes:

- The options have vested in three tranches in the proportion of 1/3:1/3:1/3 on 17 March 2004, 17 March 2005 and 17 March 2006 respectively.
- The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.
- The options have vested in four tranches. The first tranche of 2,700,000 options and the second, third and fourth tranches of 1,100,000 options each have vested on 10 October 2003, 1 January 2004, 1 January 2005 and 1 January 2006 respectively.
- The options have vested in three tranches in the proportion of 20%:30%:50% on 15 November 2001, 15 November 2002 and 15 November 2003 respectively.
- The options have vested in four tranches. The first tranche of 850,000 options, the second, third and fourth tranches of 2,000,000 options each have vested on 10 October 2003, 1 February 2004, 1 February 2005 and 1 February 2006 respectively.

Save as disclosed above, during the six months ended 30 June 2007, none of the Directors or their Associates was granted options to subscribe for shares of the Company, nor had exercised such rights. No option granted to the above Directors was lapsed or cancelled during the six months ended 30 June 2007.

B. Associated corporations (within the meaning of the SFO)

(a) Rights to acquire shares of TOM Online

Pursuant to the pre-IPO share option plan adopted by TOM Online, a Director was granted share options to subscribe for the shares of TOM Online, details of which as at 30 June 2007 were as follows:

Name of Director	Date of grant	Number of share options					Outstanding as at 30 June 2007	Option period	Subscription price per share of TOM Online HK\$
		Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Wang Lei Lei	16/2/2004	139,264,000	-	-	-	-	139,264,000 (Note)	16/2/2004– 15/2/2014	1.50

Note: The options will vest in five tranches in the proportion of 10%:15%:20%:25%:30%. The first, second, third and fourth tranches of the options have vested on 12 April 2004, 16 February 2005, 16 February 2006 and 16 February 2007 respectively. The fifth tranche of the options will vest on 16 February 2008.

(b) Short positions in associated corporations

Mr. Wang Lei Lei has as of 12 June 2001 (as supplemented on 26 September 2003) granted an option to a subsidiary of the Company in respect of his 20% (RMB20,000,000) equity interest in Beijing Lei Ting whereby such subsidiary of the Company has the right at any time within a period of 10 years commencing from 26 September 2003 (which may be extended for another 10 years at the option of such subsidiary of the Company) to acquire all of Mr. Wang Lei Lei's equity interest in Beijing Lei Ting at an exercise price of RMB20,000,000.

Save as disclosed above, as at 30 June 2007, none of the Directors or their Associates 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.

Share Option Schemes

A. The Company

As at 30 June 2007, options to subscribe for an aggregate of 84,298,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 30 June 2007, options to subscribe for an aggregate of 16,196,000 shares of the Company were outstanding and these options relate to the options granted to 3 persons who were employees of the Group at the date of grant. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 June 2007	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2007	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors	11/2/2000	12,106,000	-	-	-	12,106,000 <i>(Note)</i>	11/2/2000 – 10/2/2010	1.78
Employee (including ex-employee)	11/2/2000	4,090,000				4,090,000 <i>(Note)</i>	11/2/2000 – 10/2/2010	1.78
	Total:	<u>16,196,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,196,000</u>		

Note: The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003, respectively.

(b) *Old Option Scheme*

As at 30 June 2007, options to subscribe for an aggregate of 68,102,000 shares of the Company which were granted to certain Directors, continuous contract employees and ex-employees of the Group were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2007	Subscription price per share of the Company HK\$	
		Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors <i>(Note 1)</i>	15/11/2000	15,000,000	-	-	-	-	15,000,000	15/11/2000 – 14/11/2010	5.30
	9/10/2003	27,850,000	-	-	-	-	27,850,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees)	23/3/2000	1,784,000	-	-	-	146,000	1,638,000 <i>(Note 2)</i>	23/3/2000 – 22/3/2010	11.30
	26/6/2000	674,000	-	-	-	82,000	592,000 <i>(Note 3)</i>	26/6/2000 – 25/6/2010	5.89
	30/6/2000	3,000,000	-	-	-	3,000,000	-	30/6/2000 – 29/6/2010	5.27
	8/8/2000	10,226,000	-	-	-	3,996,000	6,230,000 <i>(Note 4)</i>	8/8/2000 – 7/8/2010	5.30
	7/2/2002	20,000,000	-	-	-	20,000,000	-	7/2/2002 – 6/2/2012	3.76
	9/10/2003	62,114,000	-	-	-	50,322,000	11,792,000 <i>(Note 5)</i>	9/10/2003 – 8/10/2013	2.505
	16/2/2004	10,000,000	-	-	5,000,000	-	5,000,000 <i>(Note 6)</i>	16/2/2004 – 15/2/2014	2.55
Total:		150,648,000	-	-	5,000,000	77,546,000	68,102,000		

Notes:

- Details of the options granted to the Directors are set out in the section headed "Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures" above.
- The options have vested in two tranches in the proportion of 50%:50% on 23 March 2005 and 23 March 2006 respectively.
- The options have vested in two tranches in the proportion of 50%:50% on 26 June 2005 and 26 June 2006 respectively.
- The options have vested on (i) 8 August 2001 or (ii) 8 August 2001 and 8 August 2002.
- For certain grantees, all the options have vested on 10 October 2003.
 - For certain grantees, the options have vested in two tranches. The first tranche of the options has vested on 10 October 2003 and the second tranche of the options has vested on the anniversary of their respective joining dates with the Group in 2004.
 - For certain grantees, the options have vested in three to four tranches. The first tranche of the options has vested on 10 October 2003 and the remaining tranches of the options will vest on the anniversaries of their respective joining dates with the Group in 2004 and 2005 or 2004, 2005 and 2006 (as the case may be).

- (iv) 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 will vest on the anniversaries of their respective joining dates with the Group in 2005 and 2006.

6. The options have vested on 16 February 2005 and 16 February 2006.

(c) *New Option Scheme*

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

B. TOM Online

As at 30 June 2007, options to subscribe for an aggregate of 198,861,310 shares of TOM Online pursuant to the pre-IPO share option plan and the share option scheme of TOM Online were outstanding. Details of which were as follows:

(a) *Pre-IPO share option plan of TOM Online*

As at 30 June 2007, options to subscribe for an aggregate of 180,861,310 shares of TOM Online which were granted to a Director, continuous contract employees and ex-employees of the Group were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2007	Option period	Subscription price per share of TOM Online HK\$
		Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Director	16/2/2004	139,264,000	-	-	-	-	139,264,000 <i>(Note 1)</i>	16/2/2004 – 15/2/2014	1.50
Employees (including ex-employees)	16/2/2004	41,983,231	-	-	385,921	-	41,597,310 <i>(Note 2)</i>	16/2/2004 – 15/2/2014	1.50
Total:		181,247,231	-	-	385,921	-	180,861,310		

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, the options have vested in 4 tranches in the proportion of 10%:30%:30%:30% on 12 April 2004, 16 February 2005, 16 February 2006 and 16 February 2007 respectively.

For certain grantees, the options have vested on (i) 12 April 2004 or (ii) 12 April 2004 and 16 February 2005.

(b) Share option scheme of TOM Online

As at 30 June 2007, options to subscribe for 18,000,000 shares of TOM Online which were granted to a continuous contract employee of the Group were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2007	Option period	Subscription price per share of TOM Online HK\$
		Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Employee	11/5/2005	18,000,000	-	-	-	-	18,000,000 <i>(Note)</i>	11/5/2005 – 10/5/2015	1.204

Note: The options will vest in 4 tranches in proportion of 15%:25%:30%:30%. The first and second tranches of the options have vested on 11 May 2006 and 11 May 2007 respectively. The third and fourth tranches of the options will vest on 11 May 2008 and 11 May 2009 respectively.

Valuation of Share Options

The Group accounts for share-based employee compensation arrangement in accordance with provisions of Hong Kong Financial Reporting Standards (“HKFRS”) 2 “Share-based Payments” issued by the Hong Kong Institute of Certified Public Accountants. Pursuant to the provisions in the HKFRS2, the fair value of the employee services received in exchange for the grant after 7 November 2002 and not yet vested on 1 January 2005 (the “Relevant Share Options”) is recognised as expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. The following weighted average assumptions were included in the estimated grant date fair value calculations for the Relevant Share Options, calculated using the Black-Scholes model. Key assumptions are:

Risk free interest rate (%)	2.07 – 4.22
Expected life (years)	1 – 7.01
Expected dividend	0
Volatility (%)	46 – 64
Weighted average estimated grant date fair value (HK\$)	0.55 – 1.16

Share-based compensation cost, calculated by applying the above model and assumptions, charged to the condensed consolidated interim financial statement of the Company for the six months ended 30 June 2007, net of minority interests, was HK\$3,369,000.

Interests and Short Positions of Shareholders

As at 30 June 2007, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.71%
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.71%
Li Ka-Shing Unity Trustcorp Limited <i>(as trustee of another discretionary trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.71%
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	Trustee	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.71%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.71%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.24%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.24%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) <i>(Note 1)</i>	12.24%
Romefield Limited	Beneficial owner	476,341,182 (L) <i>(Note 1)</i>	12.24%
Hutchison Whampoa Limited	Interest of a controlled corporation	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	928,006,363 (L) <i>(Note 3)</i>	23.84%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	928,006,363 (L) <i>(Note 3)</i>	23.84%
Schumann International Limited	Beneficial owner	580,000,000 (L) <i>(Note 3)</i>	14.90%
Handel International Limited	Beneficial owner	348,000,000 (L) <i>(Note 3)</i>	8.94%

(L) denotes a long position

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 Cheung Kong (Holdings) Limited.

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

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

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SFO, Hutchison Whampoa Limited 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 Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may be 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 Cheung Kong (Holdings) Limited 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 6,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 6,363 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.

Save as disclosed above, as at 30 June 2007, 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.

Directors' Interests in Competing Business

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and directors of certain of their respective Associates (collectively referred to as "HWL Group" and "CKI Group" respectively). In addition, Mr. Frank Sixt is also a non-executive director of CKH and Hutchison Telecommunications International Limited ("HTIL") and director of certain of their Associates (collectively referred to as "CKH Group" and "HTIL Group" respectively). Mrs. Susan Chow is an alternate director of HTIL and director of certain of its Associates. Mr. Edmond Ip, a non-executive Director, is the deputy managing director of CKH, the senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life"), the deputy chairman of CKI and a non-executive director of Excel Technology International Holdings Limited ("Excel Technology"). HWL Group is engaged in e-commerce and general information portals and broadband content. CKH Group, CKI Group, CK Life and Excel Technology are engaged in information technology, e-commerce or new technology where applicable. HTIL Group is engaged in providing mobile and fixed-line telecommunications services, including broadband data services, multimedia services and mobile and fixed-line Internet services and Intranet services. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Ms. Tommei Tong, an executive Director and Chief Executive Officer of the Company, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited ("Qin Jia Yuan") whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Save as disclosed above, during the six months ended 30 June 2007, none of the Directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

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 has been adopted for the Audit Committee.

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

The unaudited consolidated results of the Group for the six months ended 30 June 2007 have been reviewed by the Audit Committee.

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 2007.

Model Code for Securities Transactions by Directors

The Company has adopted the 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 2007.

OTHER INFORMATION

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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

Executive Directors:

Ms. Tommei Tong

Ms. Angela Mak

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Susan Chow

Mr. Edmond Ip

Mrs. Angelina Lee

Mr. Wang Lei Lei

Independent non-executive Directors:

Mr. Henry Cheong

Ms. Anna Wu

Mr. James Sha