

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.