

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 (“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 – waste 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. 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 2006:

HK(IFRIC)-Int 7	“Applying the restatement approach under HKFRS 29”
HK(IFRIC)-Int 8	“Scope of HKFRS 2”
HK(IFRIC)-Int 9	“Reassessment of embedded derivatives”
HKFRS 7	“Financial instruments: disclosures”

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 five main business segments:

- 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.
- Sports Group – event organisation, advertising and sponsorship sales in relation to sports events and programmes.
- Television and Entertainment Group – advertising sales in relation to satellite television channel operations and provision of broadcasting post production services.

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

	Unaudited As at 30 June 2006					Total HK\$'000
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Sports Group HK\$'000	Television and Entertainment Group HK\$'000	
Segment assets	4,184,292	1,204,153	961,017	234,641	207,525	6,791,628
Interests in jointly controlled entities	14,516	-	-	-	-	14,516
Interests in associated companies	1,351	223,756	-	-	-	225,107
Unallocated assets						<u>1,329,076</u>
Total assets						<u>8,360,327</u>
Segment liabilities	348,994	302,112	120,176	43,061	35,409	849,752
Unallocated liabilities						<u>3,162,943</u>
Total liabilities						<u>4,012,695</u>

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

Audited As at 31 December 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
Segment assets	3,556,519	1,342,073	748,789	323,249	222,151	6,192,781
Interests in jointly controlled entities	14,876	–	–	–	–	14,876
Interests in associated companies	1,459	236,665	–	–	–	238,124
Unallocated assets						<u>1,344,489</u>
Total assets						<u>7,790,270</u>
Segment liabilities	297,862	428,054	118,522	54,726	39,467	938,631
Unallocated liabilities						<u>2,944,356</u>
Total liabilities						<u>3,882,987</u>

Secondary reporting format – geographical segments

The Group's five 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 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		Unaudited Operating profit / (loss)	
	Six months ended 30 June		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
	<u>1,521,997</u>	<u>1,415,747</u>	<u>329,713</u>	<u>246,807</u>
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			<u>249,276</u>	<u>278,150</u>

4. 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.

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.

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.

6. Operating profit

Operating profit is stated after charging/crediting the following:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	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 (<i>Note</i>)	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.

7. Finance costs

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	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

8. 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	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas taxation	20,816	32,147
Over-provision in prior years	(132)	–
Deferred taxation	(274)	(8,571)
	<u>20,410</u>	<u>23,576</u>

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

9. Dividend

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

10. 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 (<i>HK\$'000</i>)	<u>91,262</u>	<u>169,348</u>
Weighted average number of ordinary shares in issue	<u>3,893,270,558</u>	<u>3,889,997,150</u>
Basic earnings per share (<i>HK cents per share</i>)	<u>2.34</u>	<u>4.35</u>

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 share of the Company during the respective periods, and the conversion of the convertible bonds would have an anti-dilutive effect during these periods.

11. Fixed assets

	<i>HK\$'000</i>
At 1 January 2005	284,551
Additions	62,528
Acquisition of a subsidiary	704
Disposals	(2,101)
Depreciation charge	(46,084)
Exchange adjustment	807
At 30 June 2005	300,405
Additions	75,899
Disposal of subsidiaries	(605)
Disposals	(5,249)
Depreciation charge	(58,431)
Exchange adjustment	3,573
At 31 December 2005	315,592
Additions	48,578
Acquisition of subsidiaries (<i>Note 24</i>)	1,083
Disposals	(4,579)
Depreciation charge	(58,109)
Exchange adjustment	3,673
At 30 June 2006	<u>306,238</u>

12. Goodwill

	<i>HK\$'000</i>
At 1 January 2005	2,280,025
Additions	91,223
Disposals	(21,016)
Exchange adjustment	89
At 30 June 2005	2,350,321
Additions	35,509
Disposals	(712)
Consideration adjustments for acquisition of subsidiaries	129,821
Exchange adjustment	(43)
At 31 December 2005	2,514,896
Additions	129,952
Consideration adjustments for acquisition of subsidiaries	665
Disposal of a subsidiary	(27,493)
Exchange adjustment	45,351
At 30 June 2006	<u>2,663,371</u>

13. 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 2005	36,386	31,172	12,235	4,159	8,521	918	93,391
Additions	3,242	–	–	17,729	–	–	20,971
Acquisition of a subsidiary	–	–	–	–	–	6,021	6,021
Amortisation charge	(5,233)	(644)	(2,110)	(15,334)	(968)	(2,742)	(27,031)
Disposals	–	–	–	–	–	(860)	(860)
Exchange adjustment	–	–	325	–	–	1	326
At 30 June 2005	34,395	30,528	10,450	6,554	7,553	3,338	92,818
Additions	6,635	–	–	18,258	–	–	24,893
Amortisation charge	(3,644)	(647)	(555)	(16,569)	(989)	(1,611)	(24,015)
Disposals	(1,793)	–	–	–	–	–	(1,793)
Exchange adjustment	522	1	(715)	–	161	1	(30)
At 31 December 2005	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	<u>36,632</u>	<u>30,057</u>	<u>10,955</u>	<u>8,901</u>	<u>5,825</u>	<u>20,523</u>	<u>112,893</u>

14. Trade and other receivables

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

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

	Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
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)
	<u>642,608</u>	<u>764,977</u>
Represented by:		
Receivables from related companies	2,604	4,967
Receivables from third parties	640,004	760,010
	<u>642,608</u>	<u>764,977</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.

15. Trade and other payables

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

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

	Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
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
	<u>242,065</u>	<u>243,349</u>
Represented by:		
Payable to related companies	6,326	6,407
Payable to third parties	235,739	236,942
	<u>242,065</u>	<u>243,349</u>

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

16. Other non-current liabilities

	Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
Non-current portion of long-term bank loans	1,535,386	1,513,075
Convertible bonds	1,056,997	1,032,803
Loans from minority shareholders	15,967	9,946
Pension obligations	19,382	19,711
	<u>2,627,732</u>	<u>2,575,535</u>

17. Movements in borrowings

	Short-term bank loans HK\$'000	Long-term bank loans HK\$'000	Loans from minority shareholders HK\$'000	Convertible bonds – liability portion HK\$'000	Total HK\$'000
As at 1 January 2005	9,964	1,182,589	–	1,013,272	2,205,825
Borrowings	–	273,000	–	–	273,000
Repayments	(564)	–	–	–	(564)
Redemption of convertible bonds	–	–	–	(26,916)	(26,916)
Convertible bonds interests, net of payments of coupon interests	–	–	–	25,556	25,556
Exchange adjustment	–	8,802	–	–	8,802
As at 30 June 2005	<u>9,400</u>	<u>1,464,391</u>	<u>–</u>	<u>1,011,912</u>	<u>2,485,703</u>
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 adjustment	27	5,185	–	–	5,212
As at 30 June 2006	<u>295,316</u>	<u>1,619,206</u>	<u>15,967</u>	<u>1,056,997</u>	<u>2,987,486</u>

18. Share capital

	No. of ordinary shares of HK\$0.1 each	HK\$'000
Authorised:		
As at 1 January and 30 June 2005, and 1 January and 30 June 2006	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
As at 1 January and 30 June 2005	3,889,997,150	389,001
Issuance of shares	<u>3,273,408</u>	<u>327</u>
As at 31 December 2005 and 30 June 2006	<u>3,893,270,558</u>	<u>389,328</u>

19. Share option schemes

(a) Details of share options granted by the Company

	Six months ended 30 June			
	2006		2005	
	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	164,682,000	16,196,000	182,757,000
Lapsed during the period	–	(10,096,000)	–	(234,000)
Cancelled during the period	–	(1,450,000)	–	(14,056,000)
At the end of the period	<u>16,196,000</u>	<u>153,136,000</u>	<u>16,196,000</u>	<u>168,467,000</u>

Terms of the share options outstanding as at 30 June 2006 are:

Expiry date	Subscription price per share	Unaudited	
		No. of share options 30 June 2006	30 June 2005
10 February – 14 November 2010	HK\$1.78 – HK\$11.30	48,402,000	50,872,000
6 February 2012	HK\$3.76	20,000,000	20,000,000
8 October 2013	HK\$2.505	90,930,000	103,791,000
15 February 2014	HK\$2.55	10,000,000	10,000,000
		169,332,000	184,663,000

For detailed information of the Pre-IPO Share Option Plan and Old Option Scheme of the Company, please refer to the 2005 annual report of the Company.

(b) Details of the share options granted by TOM Online

	Six months ended 30 June			
	2006		2005	
	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	220,457,181	18,000,000	262,425,040	–
Granted during the period	–	–	–	18,000,000
Exercised during the period	(35,034,719)	–	–	–
Lapsed during the period	(616,685)	–	(6,596,126)	–
At the end of the period	184,805,777	18,000,000	255,828,914	18,000,000

Terms of the share options outstanding as at 30 June 2006 are:

Expiry date	Subscription price per share	Unaudited	
		No. of share options 30 June 2006	30 June 2005
15 February 2014	HK\$1.50	184,805,777	255,828,914
10 May 2015	HK\$1.204	18,000,000	18,000,000
		202,805,777	273,828,914

For detailed information of the Pre-IPO Share Option Plan and Share Option Scheme of TOM Online, please refer to the 2005 annual report of the Company.

20. 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	<u>3,621,591</u>	<u>80,491</u>	<u>776</u>	<u>81,321</u>	<u>(27,124)</u>	<u>(3,717)</u>	<u>174,327</u>	<u>(1,521,014)</u>	<u>2,406,651</u>
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>

21. Minority interests

	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
At 1 January	<u>1,017,496</u>	<u>709,655</u>
Profit for the period/year attributable to minority interests	70,786	91,772
Exchange difference	19,454	1,611
Revaluation deficit on available-for-sale financial assets	(3,455)	(6,625)
Actuarial gain on defined benefit plan	-	1,032
Recognised income and expense attributable to minority interests	<u>86,785</u>	<u>87,790</u>
Acquisition of subsidiaries	3,502	(15,894)
Dividend to minority shareholders	(20,821)	(25,433)
Deemed disposal of interests in subsidiaries	-	224,159
Contribution from minority shareholders	210,088	23,768
Disposal of a subsidiary	30,859	1,345
Employee share option scheme – value of employee services attributable to minority interests	<u>3,529</u>	<u>12,107</u>
At 30 June/31 December	<u>1,331,438</u>	<u>1,017,497</u>

22. Pledge of assets

As at 30 June 2006, debt securities of market value of approximately HK\$1,738,062,000 (31 December 2005: HK\$1,378,943,000) were pledged to banks for securing bank loans of HK\$1,632,904,000 (31 December 2005: HK\$1,287,576,000). Included in which were certain debt securities with carrying value of HK\$374,633,000 (31 December 2005: Nil) that were assigned to a bank under a total return swap arrangement. The Group has retained the economic exposures to these debt securities and therefore they have not been derecognised by the Group in the balance sheet.

As at 30 June 2006, concession rights and properties with net book values of approximately HK\$3,468,000 (31 December 2005: HK\$4,916,000) and HK\$10,931,000 (31 December 2005: HK\$11,174,000), respectively, were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

23. Contingent liabilities

As at 30 June 2006 and 31 December 2005, the Group had no significant contingent liabilities.

24. Business combinations

(a) Acquisition of Beijing Huanjian Shu Meng Network Technology Limited

On 4 January 2006, the Group, through a non-wholly owned subsidiary, entered into a sale and purchase agreement with the shareholders of Beijing Huanjian Shu Meng Network Technology Limited ("Huanjian") to acquire 75% equity interest in Huanjian for an aggregate consideration of RMB22 million (approximately HK\$21.1 million), of which RMB10 million (approximately HK\$9.6 million) was injected as additional paid-in capital. Huanjian operates a Chinese Internet website, www.hjsm.net, which provides original Chinese novels.

The allocation of the consideration is as follows:

	<i>HK\$'000</i>
Net assets acquired at fair value:	
Fixed assets	50
Intangible assets	4,272
Trade and other receivables	107
Bank balances and cash	9,881
Trade and other payables	(303)
Minority Interests	(3,502)
	<u>10,505</u>
Costs of acquisition	
Purchase consideration	21,274
Other direct costs	127
	<u>21,401</u>
Goodwill	<u><u>10,896</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 expected future profitability of Huanjian and the significant synergies expected to arise after the Group's acquisition.

The Group's share of Huanjian's net assets as at 30 June 2006, post acquisition turnover and loss for the six months ended 30 June 2006 amounted to approximately HK\$6,048,000, HK\$227,000 and HK\$242,000 respectively.

(b) Acquisition of Gainfirst Asia Limited

On 12 June 2006, the Group, through a non-wholly owned subsidiary, entered into a sale and purchase agreement with the shareholders of Gainfirst Asia Limited (“Gainfirst”) to acquire 100% equity interest in Gainfirst. The initial consideration was RMB150 million (approximately HK\$146 million). The contingent considerations, which depend on the audited combined after-tax profit of Gainfirst and its subsidiaries (collectively the “Gainfirst Group”) for the years ending 31 December 2006 and 2007, have been disclosed in note 25(a) below.

Gainfirst is an investment holding company and its major subsidiary, Beijing Bo Xun Rong Tong Information Technology Company Limited (“Infomax”), is a wireless Internet service provider focusing on delivering entertainment content to users via SMS and other wireless Internet services in cooperation with major TV broadcasters in the PRC. Through this acquisition, the Group intends to further strengthen its leading market position in the wireless Internet sector in terms of market share and distribution channels.

The allocation of the initial consideration is as follows:

	<i>HK\$'000</i>
Net assets acquired at fair value:	
Fixed assets	1,033
Intangible assets	16,739
Trade and other receivables	13,664
Bank balances and cash	18,019
Trade and other payables	(20,927)
Taxation payables	(186)
	<u>28,342</u>
Costs of acquisition	
Initial purchase consideration	146,250
Other direct costs	516
	<u>146,766</u>
Goodwill	<u><u>118,424</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 expected future profitability of Infomax and the significant synergies expected to arise after the Group's acquisition.

The Group's share of Gainfirst Group's net assets as at 30 June 2006, post acquisition turnover and profit for the six months ended 30 June 2006 amounted to approximately HK\$10,530,000, HK\$7,638,000 and HK\$2,900,000, respectively.

25. Commitments*(a) Capital commitments*

	Unaudited 30 June 2006 <i>HK\$'000</i>	Audited 31 December 2005 <i>HK\$'000</i>
Acquisition of new investments		
– Contracted but not provided for	4,365	9,552
Acquisition of fixed assets and other intangible assets		
– Contracted but not provided for	14,263	21,941
– Authorised but not contracted for	436,820	319,178
	<u>455,448</u>	<u>350,671</u>

As at 30 June 2006, the Group had capital commitment in respect of the acquisition of 100% equity interest in Gainfirst as mentioned in note 24(b). According to the sale and purchase agreement, the initial consideration was RMB150 million (approximately HK\$146 million) which was fully accrued for by the Group as at 30 June 2006.

The final aggregate consideration for this acquisition is to be determined at certain multiples of the audited combined net profit of Gainfirst Group for the years ending 31 December 2006 and 2007, after adjusting for any unsettled accounts receivable up to 30 June 2008. The aggregate consideration is subject to a maximum amount of RMB600 million (approximately HK\$583 million), and therefore the Group's maximum commitment in respect of this acquisition as at 30 June 2006 amounted to RMB450 million (approximately HK\$437 million) (31 December 2005: Nil)

- (b) As at 30 June 2006, the Group had commitments in respect of contributions of registered capital of certain investments in Mainland China of approximately HK\$10,583,000 (31 December 2005: HK\$12,714,000).

26. Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 14 and 15 to the interim financial statements, is set out below:

- (a) *Sales of goods and services*

	Unaudited	
	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Sales to		
– Hutchison Whampoa Limited (“HWL”) and its subsidiaries	4,149	4,176
– Cheung Kong (Holdings) Limited (“CKH”) and its subsidiaries	56	1,164
– a jointly controlled entity	–	1,660

- (b) *Purchase of goods and services*

	Unaudited	
	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Cost of sales payable to		
– minority shareholders of subsidiaries and their subsidiaries	7,554	14,992
Office and warehouse rental and service fees payable to		
– an associated company of CKH	4,859	5,388
– a subsidiary of CKH	2,070	2,070
– minority shareholders of subsidiaries and their subsidiaries	903	727
Services fees payable to		
– HWL and its subsidiaries	5,461	5,658
– minority shareholders of subsidiaries and their subsidiaries	243	2,588
Interest expenses payable to		
– minority shareholders of subsidiaries and their subsidiaries	516	49

- (c) *Key management compensation*

	Unaudited	
	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Directors' emoluments (including share option costs)	17,211	38,069

27. Approval of interim financial statements

These condensed consolidated interim financial statements have been approved by the Board of Directors on 21 August 2006.