Notes to the Accounts

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRS", which term collectively includes Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK-INT")) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention except that, as set out in note (e) below, available-for-sale financial assets are stated at fair value.

In 2004, the Group has early adopted the following HKFRS:

HKFRS 3	Business Combinations
HKFRS 36	Impairment of Assets
HKFRS 38	Intangible Assets

In preparing the consolidated accounts for the year ended 31 December 2005, the Group adopted the new/revised HKFRS below which are relevant to the Group's operations. The 2004 comparatives have been amended as required in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets held for Sale and Discontinued Operations

1. Principal Accounting Policies *(continued)*

(a) Basis of preparation *(continued)*

The adoption of HKAS 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and certain other disclosures in the accounts;
- HKAS 21 requires goodwill and fair value adjustments arising on acquisition of foreign entities be treated as assets and liabilities of the foreign entities and translated at closing rates. Furthermore, the functional currency of each of the consolidated companies has been re-evaluated based on the guidance to the revised standard; and
- HKAS 2, 7, 8, 10, 16, 23, 24, 27, 28, 31, 33 and HKFRS 5 had no material effect on the Group's accounting policies.

Details of the effects of the other applicable new/revised HKFRS are as below:

HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets to prepaid operating leases. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease and where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment. If the allocation between the leasehold land and building elements cannot be made reliably, the leasehold land is accounted for as properties within fixed assets.

HKAS 19 (Amendment)

The Group has early adopted HKAS 19 (Amendment) from 1 January 2005. This amendment introduces an additional recognition option for all actuarial gains and losses arising from post-employment defined benefit plans outside profit and loss account. The Group has elected to take this option for recognition of all such actuarial gains and losses directly in equity.

HKAS 32 and 39

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets from investment securities to available-for-sale financial assets. These assets are carried at fair value at the balance sheet date with movements in fair value taken to reserves, or the part of any change in fair value attributable to interest income calculated using the effective interest method being recognised in profit and loss account. Furthermore, financial liabilities, except for those carried at fair value through profit or loss, are required to be carried at amortised cost using effective interest method, instead of being carried at face values before the adoption. Embedded derivatives are separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the derivative are not closely related to that of the host contract.

1. Principal Accounting Policies *(continued)*

(a) Basis of preparation (continued)

HKFRS 2

By the adoption of HKFRS 2, the Group recognises the fair value of share options granted to employees as an expense in the profit and loss account and a corresponding increase in capital reserve.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

HKAS 19 (Amendment)	–	the impacts on the prior periods of the adoption of this standard are not material such that no prior year adjustment has been made;
HKAS 21	–	prospective accounting for goodwill and fair value adjustments as part of foreign operations;
HKAS 39	–	disallow recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. The adjustments required are determined and recognised on 1 January 2005; and
HKFRS 2	–	only retrospective application for all equity instruments granted after 7 November 2002 and not vested on 1 January 2005.

1. Principal Accounting Policies *(continued)*

(a) Basis of preparation (continued)

Overall, the effects of changes in accounting policies on profit attributable to equity holders of the Company and on shareholders' fund are summarised as below:

	HKAS 19 (Amendment) HK$'000	HKAS 32 & HKAS 39 HK$'000	HKFRS 2 HK$'000	Total HK$'000
For the year ended 31 December 2005:				
(Increase)/decrease in profit attributable to equity holders of the Company	(13)	32,114	37,264	69,365
Decrease in basic earnings per share (HK cents)	–	0.82	0.96	1.78
Decrease in diluted earnings per share (HK cents)	–	–	–	–
For the year ended 31 December 2004:				
Decrease in profit attributable to equity holders of the Company	–	30,645	55,729	86,374
Decrease in basic earnings per share (HK cents)	–	0.79	1.43	2.22
Decrease in diluted earnings per share (HK cents)	–	–	1.31	1.31
As at 31 December 2005:				
Increase in capital reserve	–	–	96,644	96,644
Increase in convertible bond reserve	–	174,327	–	174,327
Decrease in available-for-sale financial assets reserve	–	(201)	–	(201)
Decrease/(increase) in accumulated losses	4,185	(65,650)	(96,644)	(158,109)
Net increase in shareholders' fund	4,185	108,476	–	112,661
As at 31 December 2004:				
Increase in capital reserve	–	–	59,680	59,680
Increase in convertible bond reserve	–	179,036	–	179,036
Decrease in available-for-sale financial assets reserve	–	(254)	–	(254)
Increase in accumulated losses	–	(33,536)	(59,680)	(93,216)
Net increase in shareholders' fund	–	145,246	–	145,246

1. Principal Accounting Policies *(continued)*

(a) Basis of preparation (continued)

No early adoption is made for the following new standards or interpretations which have been issued but are not yet effective:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment) and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 and HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-INT 4	Determining whether an arrangement contains a lease
HKFRS-INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-INT 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 – Financial Reporting in Hyperinflationary Economies

The Group has already commenced an assessment of the impact of these new HKFRS pronouncements. The adoption of these new HKFRS is not expected to result in substantial changes to the Group's accounting policies.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

All significant intercompany transactions and balances within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1. Principal Accounting Policies *(continued)*

(b) Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with the carrying value of goodwill.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition, net of accumulated impairment losses, if any.

(d) Associated companies

An associated company is a company, not being a subsidiary and a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies, goodwill and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any.

(e) Investments

Prior to 1 January 2005, investments held for non-trading purpose were classified as investment securities and stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the revaluation reserve until the security is sold, or is determined to be impaired.

From 1 January 2005, the Group classifies its investments in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluate this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets as trade and other receivables in the balance sheet, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

1. Principal Accounting Policies *(continued)*

(e) Investments (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date of which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and those fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

1. Principal Accounting Policies *(continued)*

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

Fixed assets are depreciated at rates sufficient to write-off their costs less accumulated impairment losses and residual values, if any, over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Properties	over the lease terms
Leasehold improvements	over the shorter of their useful lives or the lease terms
Computer equipment	20% – 33$^1/_3$%
Outdoor media assets	5% – 20%
Office equipment, studio and broadcasting equipment, furniture, fixtures and motor vehicles	10% – 33$^1/_3$%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account for the financial period in which they are incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition. Goodwill on acquisition of jointly controlled entities and associated companies is included in interests in jointly controlled entities and interests in associated companies, respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying value of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing.

(ii) Other intangible assets

Other intangible assets including concession rights, licence rights and royalties, publishing rights, purchased programme and film rights, software, customer base and technical know-how. Cost of other intangible assets are initially recognised and measured at fair value. Other intangible assets with definite useful lives are amortised on a straight-line basis over the respective period of the operating right. Other intangible assets with indefinite useful lives are not subject to amortisation and are tested annually for impairment.

1. Principal Accounting Policies *(continued)*

(g) Intangible assets (continued)

(ii) Other intangible assets (continued)

Principal annual rates are as follows:

Concession rights	5% – 33$^1/_3$%
Licence rights and royalties	28%
Purchased programme and film rights	100%
Publishing rights	6% – 50%
Software and subscriber list	20% – 100%

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs).

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(l) Employee benefits

(i) Pension obligations

The Group operates a number of defined contribution and defined benefit plans and the assets of which are generally held in separate trustees administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies, taking into account of the recommendations of independent qualified actuaries where applicable.

The Group's contributions to the defined contribution plans are expensed as incurred.

1. Principal Accounting Policies *(continued)*

(l) Employee benefits *(continued)*

(i) Pension obligations (continued)

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. Actuarial gains and losses are recognised directly in equity through the consolidated statement of recognised income and expense.

(ii) Equity compensation benefits

The Group operates equity-settled, share-based compensation plans. For share options granted after 7 November 2002 and not yet vested on 1 January 2005, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. 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. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

No compensation cost is recognised in relation to share options granted on or before 7 November 2002, or that have already fully vested on 1 January 2005.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

1. Principal Accounting Policies *(continued)*

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investment in subsidiaries, associated companies and jointly controlled entities except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(q) Revenue recognition

Revenue from sale of services is recognised when the services are rendered.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Revenue from advertising is recognised over the period when the advertisement is placed.

Interest income is recognised on a time proportion basis using the effective interest method.

1. Principal Accounting Policies *(continued)*

(r) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale financial assets reserve or included in reserve in equity.

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expense for each profit and loss account are translated at average exchange rates; and

(3) all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at closing rate. For those acquisitions made prior to 1 January 2005, goodwill and fair value adjustments arising on the acquisition are expressed in the acquiring company's functional currency.

1. Principal Accounting Policies *(continued)*

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses, including depreciation and amortisation and net of corporate interest income. Segment assets consist primarily of fixed assets, goodwill, other intangible assets, interests in associated companies, available-for-sale financial assets, loans and receivables, other non-current assets, inventories, trade and other receivables and operating cash. Segment liabilities comprise operating liabilities, consideration payables by TOM Online and its subsidiaries (collectively refer to the "TOM Online Group") and pension obligations and exclude items such as corporate consideration payables, taxation and corporate borrowings. Capital expenditure comprises additions to fixed assets and other intangible assets.

In respect of geographical segment reporting, sales are based on the country in which the business is operated. Total assets and capital expenditure are based on the location of the assets.

(t) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term high liquid investments and bank overdrafts, if any.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. Financial Risk Management

(a) Financial risk factors

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk, price risk, cash flow and fair value interest-rate risk and foreign currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(i) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, and listed debt securities. The Group has no significant concentrations of credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Sales of products and services are made to customers with appropriate credit history. Investments are normally only in liquid securities (except for where entered into for long term strategic purposes). Transactions involving derivative financial instruments are with counterparties with sound credit ratings.

(ii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure the maintenance of sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(iii) Price risk

The Group's available-for-sale financial assets are measured at fair value at each balance sheet date. Management manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

(iv) Cash flow and fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The key exposure of the Group to these risks are originating from the interest-bearing borrowings.

Apart from the convertible bonds as mentioned in note 31 to the accounts, total bank loans of HK$11,725,000 held by the Group as at 31 December 2005 were with fixed interest rates, of which HK$11,258,000 are fully repayable within one year. The total bank loans with floating rates held by the Group as at 31 December 2005 amounted to HK$1,640,903,000, of which the interest repricing dates are all within one year.

Management of the Group monitors the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

2. Financial Risk Management *(continued)*

(a) Financial risk factors *(continued)*

(v) Foreign currency risk

The Group mainly operates in the Greater China region and is exposed to foreign currency exchange risk arising from various foreign currencies, primarily the Renminbi and New Taiwan dollar. Foreign exchange risk on net investments in foreign currencies is managed primarily through borrowings denominated in the relevant foreign currencies.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of long-term financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities related to goodwill impairment, defined benefit retirement obligations and fair value of share options granted are contained in notes 16, 32 and 35 to the accounts, respectively. Other key sources of estimation uncertainty are as follows:

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. As at 31 December 2005, the total income tax provision and deferred tax liabilities of the Group amounted to HK$50,422,000 and HK$9,720,000, respectively. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Provision for sales return

Turnover is stated net of estimated sales return provision. Sales return provision is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to the customers. As at 31 December 2005, the provision for sales return of the Group amounted to HK$17,806,000. This provision is recognised by the Group basing on the best estimates by management with reference to the past experience and other relevant factors. Any difference between this estimate and the actual return will impact the profit and loss in the period in which the actual return is determined.

(c) Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. Turnover, Revenue and Segment Information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 150 to 155.

Turnover and revenues recognised during the year are as follows:

	2005 HK$'000	2004 (As restated) HK$'000
Turnover		
Provision of wireless internet services, online advertising, commercial enterprise solutions and internet access	**1,370,738**	988,999
Magazine and book circulation, sales of publication advertising and other related products	**1,034,859**	909,653
Advertising sales of outdoor media assets and provision of outdoor media services	**412,280**	369,287
Event organisation, advertising and sponsorship sales in relation to sports events and programmes	**208,487**	295,275
Advertising sales in relation to satellite television channel operations and provision of broadcasting post production services	**78,953**	32,031
	3,105,317	2,595,245
Interest income		
– available-for-sale financial assets	**77,865**	80,450
– others	**10,223**	2,729
	88,088	83,179
Total revenues	**3,193,405**	2,678,424

4. Turnover, Revenue and Segment Information *(continued)*

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.

Secondary reporting format – geographical segments

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

Hong Kong	–	Internet Group, Publishing Group, Sports 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

4. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format – business segments *(continued)*

	Year ended 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$'000	Group HK$'000
Total gross segment turnover	1,371,650	1,034,859	412,280	208,487	81,077	3,108,353
Inter-segment turnover	(912)	–	–	–	(2,124)	(3,036)
Turnover	1,370,738	1,034,859	412,280	208,487	78,953	3,105,317
Segment profit/(loss) before amortisation and depreciation	412,374	113,691	44,229	4,888	(14,312)	560,870
Amortisation and depreciation	(64,135)	(17,132)	(28,243)	(520)	(40,078)	(150,108)
Segment profit/(loss)	348,239	96,559	15,986	4,368	(54,390)	410,762
Provision for receivables, net	38,932	–	–	(46,203)	–	(7,271)
Share of losses of jointly controlled entities	(138)	–	–	–	–	(138)
Share of profits less losses of associated companies	(263)	18,046	–	–	3,446	21,229
Unallocated costs						(89,468)
Operating profit before net gain on deemed disposals						335,114
Net gain on deemed disposals of interests in subsidiaries	160,335	–	–	–	–	160,335
Operating profit						495,449
Finance costs						(103,973)
Profit before taxation						391,476
Taxation						(40,178)
Profit after taxation						351,298
Attributable to:						
Minority interests						91,772
Equity holders of the Company						259,526
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						1,344,489
Total assets						7,790,270
Segment liabilities	297,862	428,054	118,522	54,726	39,467	938,631
Unallocated liabilities						2,944,356
Total liabilities						3,882,987
Capital expenditure	80,064	23,235	38,887	551	37,441	180,178
Unallocated capital expenditure						4,113
						184,291

4. Turnover, Revenue and Segment Information *(continued)*

Primary reporting format – business segments *(continued)*

	Year ended 31 December 2004 (As restated)					
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Sports group HK$'000	Television and Entertainment group HK$'000	Group HK$'000
Turnover	988,999	909,653	369,287	295,275	32,031	2,595,245
Segment profit/(loss) before amortisation and depreciation	302,545	99,766	82,482	43,071	(62,024)	465,840
Amortisation and depreciation	(52,592)	(14,927)	(24,450)	(475)	(23,272)	(115,716)
Segment profit/(loss)	249,953	84,839	58,032	42,596	(85,296)	350,124
Provision for receivables	–	–	(17,831)	–	(4,645)	(22,476)
Provision for impairment of assets	(26,149)	–	(12,141)	–	(46,838)	(85,128)
Provision for contracts termination	–	–	(25,600)	–	(108,715)	(134,315)
Listing expenses						(19,812)
Share of losses of jointly controlled entities	(367)	–	–	–	–	(367)
Share of profits of associated companies	223	10,821	–	–	–	11,044
Unallocated costs						(119,030)
Operating loss before net gain on deemed disposals						(19,960)
Net gain on deemed disposals of interests in a subsidiary	979,476	–	–	–	–	979,476
Operating profit						959,516
Finance costs						(65,801)
Profit before taxation						893,715
Taxation						(28,532)
Profit after taxation						865,183
Attributable to:						
Minority interests						91,735
Equity holders of the Company						773,448
Segment assets	3,288,067	1,313,049	805,752	419,731	160,829	5,987,428
Interests in jointly controlled entities	14,650	–	–	–	–	14,650
Interests in associated companies	1,723	224,350	–	–	–	226,073
Unallocated assets						1,644,790
Total assets						7,872,941
Segment liabilities	1,151,703	433,237	108,920	130,754	23,490	1,848,104
Unallocated liabilities						2,688,250
Total liabilities						4,536,354
Capital expenditure	95,049	34,016	27,978	716	43,304	201,063
Unallocated capital expenditure						3,451
						204,514

4. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format – geographical segments

	Turnover		Segment profit	
	2005	2004	**2005**	2004 (As restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**73,176**	157,724	**(11,837)**	12,194
Mainland China	**2,034,354**	1,595,837	**444,103**	324,724
Taiwan and other Asian countries	**997,787**	841,684	**128,604**	128,922
	3,105,317	2,595,245	**560,870**	465,840
Amortisation and depreciation			**(150,108)**	(115,716)
Provision for receivables, net			**(7,271)**	(22,476)
Provision for impairment of assets			**–**	(85,128)
Provision for contracts termination			**–**	(134,315)
Listing expenses			**–**	(19,812)
Share of losses of jointly controlled entities			**(138)**	(367)
Share of profits less losses of associated companies			**21,229**	11,044
Net gain on deemed disposals of interests in subsidiaries			**160,335**	979,476
Unallocated costs			**(89,468)**	(119,030)
Operating profit			**495,449**	959,516

4. Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format – geographical segments *(continued)*

	Total assets		Capital expenditure	
	2005	2004 (As restated)	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,395,645**	1,975,060	**3,530**	3,337
Mainland China	**5,072,667**	4,650,053	**158,881**	167,548
Taiwan and other Asian countries	**1,321,958**	1,247,828	**21,880**	33,629
Total	**7,790,270**	7,872,941	**184,291**	204,514

5. Provision for Receivables, Net

Provision for receivables, net represents a provision of HK$46,203,000 for accounts receivable in respect of a sports event, offset by a write-back of provision of HK$38,932,000 made in prior years in respect of loans and advances for certain investee companies.

6. Net Gain on Deemed Disposals of Interests in Subsidiaries

(a) Puccini International Limited ("Puccini")

On 19 November 2003, the Group completed the acquisition of the 100% beneficial interest in Beijing Lei Ting Wu Ji Network Technology Limited from Cranwood Company Limited ("Cranwood") through the acquisition of the entire share capital of Puccini. The purchase consideration was contingent on the audited consolidated net profit of Puccini and its subsidiaries (the "Puccini Group") for the year ended 31 December 2004, and subject to a maximum consideration of US$150 million (approximately HK$1,170 million). Half of the consideration is to be settled in cash and the remaining half is to be satisfied by the issue of shares by TOM Online Inc. ("TOM Online"), a non-wholly owned subsidiary of the Company. As at 31 December 2004, the total purchase consideration was estimated to be US$132 million (approximately HK$1,030 million). Shares of TOM Online worth of US$18.5 million (approximately HK$144.3 million) were issued at an issue price of HK$1.50 each to Cranwood in March 2004 as initial consideration.

The audited consolidated accounts of Puccini Group for the year ended 31 December 2004 were issued on 6 April 2005 and the purchase consideration was finalised at US$132 million (approximately HK$1,030 million). Accordingly, shares of TOM Online totalling US$47.5 million (approximately HK$370.5 million) were issued by TOM Online at an issue price of HK$1.2193 per share (being the average closing price of shares of TOM Online during the 30 trading days immediately before the date of the auditors' report of the 2004 accounts of Puccini Group) on 25 April 2005. Cash consideration of US$66 million (approximately HK$515 million) was paid by the Group by 29 April 2005.

As a result of the issuance of shares by TOM Online on 25 April 2005, the beneficial interest in TOM Online held by the Group was reduced by 5.20%, resulting in a gain on deemed disposal of approximately HK$160,872,000.

(b) Indiagames Limited ("Indiagames")

As mentioned in note 39(a) to the accounts, TOM Online Games Limited ("TOM Online Games"), a non-wholly owned subsidiary of the Company, has acquired 76.29% beneficial interest in Indiagames and its subsidiaries (the "Indiagames Group') on 24 February 2005. In May 2005, Indiagames allotted and issued a total of 112,683 shares to two independent parties for a total consideration of US$4 million (approximately HK$31.2 million). As a result, the beneficial interest held by TOM Online Games in Indiagames Group was reduced by 13.87%, resulting in a loss on deemed disposal of approximately HK$537,000.

7. Operating Profit

Operating profit is stated after charging/crediting the following:

	2005 HK$'000	2004 (As restated) HK$'000
Charging:		
Depreciation of fixed assets (note 15)	**104,515**	82,776
Amortisation of other intangible assets (note 17)	**51,046**	40,474
Amortisation of other intangible assets included in interests in associated companies (note 20)	**4,894**	2,040
Cost of inventories sold	**509,358**	462,586
Staff costs (including directors' emoluments) (note 13)	**666,161**	552,932
Operating leases in respect of:		
– Land & buildings	**49,985**	41,863
– Other assets	**85,886**	67,505
Auditors' remuneration	**13,168**	13,295
Provision for bad and doubtful trade receivable (excluding provision for receivable as mentioned in note 5)	**21,193**	26,054
Loss on disposal of fixed assets	**7,185**	5,751
Provision for inventories	**24,616**	27,523
Crediting:		
Gain on buy-back of convertible bonds	**2,852**	–
Gain on disposal of available-for-sale financial assets	**6,233**	–
Gain on partial disposal of an associated company (note 20(c))	**12,336**	–
Net gain on disposal of interests in subsidiaries	**6,180**	–
Dividend income from available-for-sale financial assets	**1,250**	1,815
Exchange gain, net	**7,433**	25

8. Finance Costs

	2005	2004
		(As restated)
	HK$'000	HK$'000
Interest and borrowing costs on bank loans	**49,837**	9,289
Interest and borrowing costs on convertible bonds	**52,709**	51,267
Interest on other loans, wholly repayable within five years	**1,427**	5,245
Total finance costs	**103,973**	65,801

9. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. The amount of taxation charged to the consolidated profit and loss account represents:

	2005	2004
		(As restated)
	HK$'000	HK$'000
Hong Kong profits tax	**–**	101
Overseas taxation	**72,029**	20,884
(Over)/under-provision in prior years	**(4,688)**	1,233
Deferred taxation (note 33(c))	**(27,163)**	6,314
Taxation charges	**40,178**	28,532

Share of associated companies' taxation for the year ended 31 December 2005 of approximately HK$446,000 (2004: HK$2,025,000) has been included in the consolidated profit and loss account as share of profits less losses of associated companies.

9. Taxation *(continued)*

Taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2005 HK$'000	2004 (As restated) HK$'000
Profit before taxation	**391,476**	893,715
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**68,508**	156,400
Effect of different applicable taxation rates in other countries	**(75,884)**	(43,019)
Income not subject to taxation	**(60,772)**	(202,123)
Expenses not deductible for taxation purposes	**39,693**	62,577
Utilisation of previously unrecognised temporary difference	**(1,403)**	(6,931)
Utilisation of previously unrecognised tax losses	**(3,395)**	(30,860)
Tax losses not recognised	**72,330**	87,274
Results of associated companies and jointly controlled entities	**(3,691)**	(1,868)
Withholding tax	**7,448**	5,849
Temporary differences not recognised	**2,032**	–
(Over)/under provision in prior years	**(4,688)**	1,233
Taxation charge	**40,178**	28,532

The weighted average applicable tax rate was 10.26% (2004: 3.19%). The increase is mainly caused by a reduction in amount of income not subject to taxation and a change in the profitability of the Group's subsidiaries under different respective applicable tax rates.

10. Profit Attributable to Equity Holders of the Company

The net loss of the Company is HK$5,787,000 (2004: HK$105,161,000) and is included in determining the profit attributable to the equity holders of the Company in the consolidated profit and loss account. The loss of the Company for the year ended 31 December 2004 included a provision for impairment in interests in subsidiaries amounting to HK$53,379,000.

11. Dividends

No dividends had been paid or declared by the Company during the year (2004: HK$Nil).

12. Earnings per Share

(a) Basic

The calculation of the basic earnings per share is based on consolidated profit attributable to equity holders of the Company of HK$259,526,000 (2004 (As restated): HK$773,448,000) and the weighted average of 3,890,885,006 (2004: 3,886,250,185) ordinary shares in issue during the year.

(b) Diluted

Diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2005 as the exercise price of the outstanding share options granted by the Company were higher than the average market price of the share of the Company, and the conversion of the outstanding convertible bonds would have an anti-dilutive effect to the basic earnings per share.

12. Earnings per Share *(continued)*

(b) Diluted (continued)

Details of calculation of diluted earnings per share for the year ended 31 December 2004 are shown as follows:

	2004 (As restated)
Profit attributable to equity holders of the Company (HK$'000)	773,448
Finance costs on convertible bonds (HK$'000)	51,267
Profit used to determine diluted earnings per share (HK$'000)	824,715
Weighted average number of ordinary shares in issue	3,886,250,185
Adjustments for:	
– assumed conversion of convertible bonds	352,941,176
– share options	220,296
Weighted average number of ordinary shares for diluted earnings per share	4,239,411,657
Diluted earnings per share (HK cents)	19.45

13. Staff Costs, Including Directors' Emoluments

	2005 **HK$'000**	2004 (As restated) HK$'000
Wages and salaries	**590,224**	464,736
Pension costs – defined contribution plans	**19,977**	12,490
Pension costs – defined benefit plans (note 32(b))	**6,589**	7,409
Share-based compensation (note 35(c))	**49,371**	68,297
	666,161	552,932

14. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2005 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefit in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Sub-total HK$'000	Share-based compensation costs# HK$'000	Fees returned to the Company HK$'000	Total HK$'000
Current executive director								
Ms. Tong Mei Kuen, Tommei	100	2,250	10,750	150	13,250	1,904	(50)	15,104
Past executive director								
Mr. Sing Wang	100	3,464	9,536	277	13,377	2,730	(50)	16,057
Independent non-executive directors and members of Audit Committee								
Mr. Cheong Ying Chew, Henry	100	–	–	–	100	–	–	100
Ms. Wu Hung Yuk, Anna	100	–	–	–	100	–	–	100
Mr. James Sha	100	–	–	–	100	–	–	100
Non-executive directors and members of Audit Committee								
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100	–	–	100
Non-executive directors								
Mr. Wang Lei Lei	100	1,369	20,036	79	21,584	24,773	–	46,357
Mr. Frank John Sixt	50	–	–	–	50	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50	–	–	50
Mrs. Chow Woo Mo Fong, Susan	50	–	–	–	50	–	–	50
Mr. Ip Tak Chuen, Edmond	50	–	–	–	50	–	–	50
Past non-executive director								
Mr. Holger Kluge	25	–	–	–	25	–	–	25
Total	925	7,083	40,322	506	48,836	29,407	(100)	78,143

14. Directors' and Senior Management's Emoluments *(continued)*

(a) Directors' emoluments (continued)

The remuneration of every director for the year ended 31 December 2004 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefit in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Sub-total HK$'000	Share-based compensation costs# HK$'000	Fees returned to the Company HK$'000	Total HK$'000
Current executive director								
Ms. Tong Mei Kuen, Tommei	100	2,250	9,150	150	11,650	4,300	(50)	15,900
Past executive director								
Mr. Sing Wang	100	3,464	19,946	277	23,787	4,701	(50)	28,438
Independent non-executive directors and members of Audit Committee								
Mr. Cheong Ying Chew, Henry	100	–	–	–	100	–	–	100
Ms. Wu Hung Yuk, Anna	100	–	–	–	100	–	–	100
Mr. James Sha	70	–	–	–	70	–	–	70
Non-executive directors and members of Audit Committee								
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100	–	–	100
Non-executive directors								
Mr. Wang Lei Lei	100	1,487	–	76	1,663	30,151	–	31,814
Mr. Frank John Sixt	100	–	–	–	100	–	–	100
Ms. Chang Pui Vee, Debbie	50	–	–	–	50	–	–	50
Mrs. Chow Woo Mo Fong, Susan	50	–	–	–	50	–	–	50
Mr. Ip Tak Chuen, Edmond	50	–	–	–	50	–	–	50
Past non-executive director								
Mr. Holger Kluge	50	–	–	–	50	–	–	50
Total	970	7,201	29,096	503	37,770	39,152	(100)	76,822

This represents the amortisation of the fair value of share options measured at the grant dates to the consolidated profit and loss account regardless of whether the share options have been exercised or not (note 35).

14. Directors' and Senior Management's Emoluments *(continued)*

(a) Directors' emoluments *(continued)*

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Save as above, there has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2005 and 2004.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors and one (2004: one) past director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 HK$'000	2004 (As restated) HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,558**	4,258
Discretionary bonuses	**2,825**	4,926
Contributions to retirement benefit schemes	**363**	296
	7,746	9,480
Share-based compensation#	**3,866**	5,579
	11,612	15,059

This represents the amortisation of the fair value of share options measured at the grant dates to the consolidated profit and loss account regardless of whether the share options have been exercised or not (note 35).

After taking into account the share-based compensation, the emoluments of these two (2004: two) individuals fell within the following bands:

	Number of individuals 2005	2004 (As restated)
Emolument bands		
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**1**	1
HK$8,000,001 – HK$8,500,000	**–**	1

15. Fixed Assets

	Group						
	Properties HK$'000	Leasehold improve-ments HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2004	12,915	52,173	406,335	127,711	70,716	6,235	676,085
Exchange adjustment	10	1,064	1,572	–	694	–	3,340
Additions	295	14,900	86,404	11,109	24,654	8,789	146,151
Acquisition of subsidiaries (note 40(b))	–	283	1,426	11,073	402	–	13,184
Transfer between categories	–	1,082	1,454	8,784	242	(11,562)	–
Disposals	–	(18,689)	(17,653)	(8,262)	(10,752)	–	(55,356)
Deconsolidation of a subsidiary (note 40(d))	–	(708)	(1,132)	–	(4,284)	–	(6,124)
At 31 December 2004	13,220	50,105	478,406	150,415	81,672	3,462	777,280
At 1 January 2005	13,220	50,105	478,406	150,415	81,672	3,462	777,280
Exchange adjustment	257	119	4,092	2,592	268	71	7,399
Additions	–	9,690	96,948	9,783	5,908	16,098	138,427
Acquisition of subsidiaries (note 40(b))	–	–	998	–	418	–	1,416
Transfer between categories	–	1,962	2,976	5,606	–	(10,544)	–
Disposals	–	(4,040)	(121,960)	(10,112)	(5,984)	–	(142,096)
Disposals of subsidiaries (note 40(d))	–	(1,720)	(2,022)	–	(438)	–	(4,180)
At 31 December 2005	13,477	56,116	459,438	158,284	81,844	9,087	778,246

15. Fixed Assets *(continued)*

	Group						
	Properties HK$'000	Leasehold improve-ments HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment losses							
At 1 January 2004	884	32,494	312,087	44,214	41,400	–	431,079
Exchange adjustment	–	271	1,074	–	689	–	2,034
Acquisition of subsidiaries (note 40(b))	–	27	404	–	70	–	501
Depreciation charge for the year	613	8,720	52,131	11,081	10,231	–	82,776
Impairment charge for the year	–	–	20,943	8,489	–	–	29,432
Disposals	–	(15,921)	(17,441)	(5,538)	(9,798)	–	(48,698)
Deconsolidation of a subsidiary (note 40(d))	–	(59)	(605)	–	(3,731)	–	(4,395)
At 31 December 2004	1,497	25,532	368,593	58,246	38,861	–	492,729
At 1 January 2005	1,497	25,532	368,593	58,246	38,861	–	492,729
Exchange adjustment	35	69	2,181	709	23	–	3,017
Acquisition of subsidiaries (note 40(b))	–	–	524	–	189	–	713
Depreciation charge for the year	649	9,684	68,242	13,811	12,129	–	104,515
Disposals	–	(2,674)	(121,757)	(5,549)	(4,765)	–	(134,745)
Disposals of subsidiaries (note 40(d))	–	(1,626)	(1,628)	–	(321)	–	(3,575)
At 31 December 2005	2,181	30,985	316,155	67,217	46,116	–	462,654
Net book value							
At 31 December 2005	11,296	25,131	143,283	91,067	35,728	9,087	315,592
At 31 December 2004	11,723	24,573	109,813	92,169	42,811	3,462	284,551

15. Fixed Assets *(continued)*

The Group's interests in properties at their net book values are analysed as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	**11,170**	11,579
Leases of between 10 to 50 years	**126**	144
	11,296	11,723

16. Goodwill

	Group
	HK$'000
Net book value	
At 1 January 2004	1,088,466
Exchange adjustment	41
Additions	
Current year acquisition (note 40(b))	257,491
Prior year acquisition (note 40(c))	1,029,534
Consideration adjustment for acquisition of subsidiaries	(42,208)
Impairment charges	(53,299)
At 31 December 2004	2,280,025
At 1 January 2005	2,280,025
Exchange adjustment	46
Additions	
Current year acquisition (note 40(b))	126,732
Prior year acquisition (note a)	129,821
Deemed disposal of interests in subsidiaries (note 40(c))	(16,585)
Disposal of interests in subsidiaries (note 40(d))	(5,143)
At 31 December 2005	2,514,896

16. Goodwill *(continued)*

Notes:

(a) Prior year acquisition

At 31 December 2004, the Group had commitment in respect of the acquisition of 100% beneficial interest in Treasure Base Investments Limited and its subsidiaries (collectively referred to as the "Treasure Base Group"). According to the sale and purchase agreement, the initial consideration recognised totalled RMB274 million (approximately HK$257.7 million), which was 4.5 times of the 2004 audited net profit of Treasure Base Group, and the earn-out consideration will be resolved in terms of (i) if the 2005 audited combined after-tax profit is less than RMB40 million (approximately HK$37.6 million), an amount equal to the 2005 audited combined after-tax profit; or (ii) if the 2005 audited combined after-tax profit is equal to or more than RMB40 million (approximately HK$37.6 million) but less than or equal to RMB75 million (approximately HK$70.5 million), 1.5 times the amount of the 2005 audited combined after-tax profit; or (iii) if the 2005 audited combined after-tax profit is more than RMB75 million (approximately HK$70.5 million), 1.75 times the amount of the 2005 audited combined after-tax profit. The consideration is subject to a maximum of RMB550 million (approximately HK$517.0 million), and therefore the Group's maximum earn-out consideration payable in respect of this acquisition as at 31 December 2004 amounted to RMB276 million (approximately HK$259.3 million).

At 31 December 2005, based on the management accounts for the year ended December 2005 of Treasure Base Group, the estimated combined after-tax profit was RMB77.1 million (approximately HK$74 million). The Group has estimated the earn-out consideration, at 1.75 times the amount of the combined after-tax profit, to be RMB135 million (approximately HK$130 million) and an additional goodwill as well as consideration payable of this amount were accounted for at 31 December 2005.

(b) Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business and geographical segments.

A segment level of the goodwill allocation is presented below.

	2005				2004			
	Mainland China HK$'000	**Hong Kong HK$'000**	**Taiwan and other Asian countries HK$'000**	**Total HK$'000**	Mainland China HK$'000	Hong Kong HK$'000	Taiwan and other Asian countries HK$'000	Total HK$'000
Internet Group	**1,404,578**	**–**	**74,699**	**1,479,277**	1,274,980	–	–	1,274,980
Publishing Group	**116**	**27,493**	**506,853**	**534,462**	–	27,493	517,356	544,849
Outdoor Media Group	**296,656**	**–**	**–**	**296,656**	290,341	–	–	290,341
Sports Group	**121,517**	**–**	**–**	**121,517**	86,871	–	–	86,871
Television and Entertainment Group	**82,984**	**–**	**–**	**82,984**	82,984	–	–	82,984
	1,905,851	**27,493**	**581,552**	**2,514,896**	1,735,176	27,493	517,356	2,280,025

16. Goodwill *(continued)*

(b) Impairment tests for goodwill *(continued)*

The recoverable amount of each CGU in the Internet Group is determined based on fair value. Fair value is the amount in which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The valuation was performed by American Appraisal China Limited in November 2005. Before arriving at the valuation, the following principal factors were considered:

– the financial and operating results of the CGU;

– the nature of the CGU from inception;

– the financial condition of the CGU;

– the global economic outlook in general and the specific economic and competitive elements affecting its business, its industry and its market;

– the nature and prospects of mobile value added services industry;

– the stage of development of the CGU's operation;

– worldwide trends of the mobile data markets and wireless game market; and

– the business risks and financial risks of the CGU.

Due to the changing environment in which the CGUs are operating in, a number of assumptions have to be made in order to sufficiently support the concluded value of the CGUs. The major assumptions adopted were:

– there will be no major changes in the existing political, legal, and economic conditions in Mainland China;

– there will be no major changes in the current taxation law in Mainland China, that the rates of tax payable remain unchanged and that all applicable laws and regulations will remain in compliance;

– exchange rates and interest rates will not differ materially from those presently prevailing;

– the intellectual property of the CGUs will not be infringed upon in a manner which would materially affect the economic benefits attributable to the CGUs;

– the CGUs will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

– the CGUs can keep abreast of the latest technological development and changing customer taste of contents in the industry such that its competitiveness and profitability can be sustained;

– the CGUs can maintain its standard of services, and will offer competitive pricing and services as compared to its competitors;

– industry trends and market conditions for related industries will not deviate significantly from economic forecasts; and

– the CGUs can renew existing contracts with business partners upon the expiry of those contracts.

16. Goodwill *(continued)*

(b) Impairment tests for goodwill *(continued)*

The recoverable amounts of all other CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business segments in which the CGUs operate.

Key assumptions used for value-in-use calculations:

	Publishing Group		Outdoor Media Group	Sports Group	Television and Entertainment Group
	Hong Kong	Taiwan	Mainland China	Mainland China	Mainland China
Gross margin[1]	22%	49%	19-56%	82%	51%
Growth rate[2]	1%	1%	1%	1%	1%
Discount rate[3]	10%	10%	10%	11%	11%

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the five-year budget period

3 Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts and the discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

17. Other Intangible Assets

	Group							
	Concession rights HK$'000	Copyrights HK$'000	Licence rights and royalties HK$'000	Publishing rights HK$'000	Purchased programme and film rights HK$'000	Software HK$'000	Customer base and technical know-how HK$'000	Total HK$'000
Cost								
At 1 January 2004	55,573	37,833	27,300	2,778	87,501	–	–	210,985
Exchange adjustment	–	–	–	163	–	–	–	163
Additions	5,052	–	8,147	14,075	21,407	9,682	–	58,363
Acquisition of subsidiaries (note 40(b))	–	–	–	–	–	–	7,263	7,263
Deconsolidation of a subsidiary (note 40(d))	–	(37,833)	–	–	–	–	–	(37,833)
At 31 December 2004	60,625	–	35,447	17,016	108,908	9,682	7,263	238,941
At 1 January 2005	60,625	–	35,447	17,016	108,908	9,682	7,263	238,941
Exchange adjustment	1,359	–	75	(541)	–	206	2	1,101
Additions	9,877	–	–	–	35,987	–	–	45,864
Acquisition of subsidiaries (note 40(b))	–	–	–	–	–	–	6,021	6,021
Deemed disposal of interests in subsidiaries (note 40(c))	–	–	–	–	–	–	(1,094)	(1,094)
Disposals	(2,872)	–	–	–	–	–	–	(2,872)
At 31 December 2005	68,989	–	35,522	16,475	144,895	9,888	12,192	287,961

17. Other Intangible Assets *(continued)*

	Group							
	Concession rights HK$'000	Copyrights HK$'000	Licence rights and royalties HK$'000	Publishing rights HK$'000	Purchased programme and film rights HK$'000	Software HK$'000	Customer base and technical know-how HK$'000	Total HK$'000
Accumulated amortisation and impairment losses								
At 1 January 2004	15,409	19,199	–	1,659	85,514	–	–	121,781
Exchange adjustment	–	–	–	97	–	–	–	97
Amortisation charge for the year	8,830	–	1,878	3,025	19,235	1,161	6,345	40,474
Impairment charge for the year	–	–	2,397	–	–	–	–	2,397
Deconsolidation of a subsidiary (note 40(d))	–	(19,199)	–	–	–	–	–	(19,199)
At 31 December 2004	24,239	–	4,275	4,781	104,749	1,161	6,345	145,550
At 1 January 2005	24,239	–	4,275	4,781	104,749	1,161	6,345	145,550
Exchange adjustment	837	–	74	(151)	–	45	–	805
Amortisation charge for the year	8,877	–	1,291	2,665	31,903	1,957	4,353	51,046
Deemed disposal of interests in subsidiaries (note 40(c))	–	–	–	–	–	–	(234)	(234)
Disposals	(1,079)	–	–	–	–	–	–	(1,079)
At 31 December 2005	32,874	–	5,640	7,295	136,652	3,163	10,464	196,088
Net book value								
At 31 December 2005	36,115	–	29,882	9,180	8,243	6,725	1,728	91,873
At 31 December 2004	36,386	–	31,172	12,235	4,159	8,521	918	93,391

17. Other Intangible Assets *(continued)*

The Group has considered the useful life of one of its licence rights to be indefinite and therefore no amortisation has been provided in accordance with the provision of HKAS 38. The carrying value of this intangible asset are tested for impairment annually, as well as when there is indication of impairment. This license right is considered to have indefinite lives as the right has no fixed termination date and management considered that economic benefits will be generated from the licence right for the foreseeable future. As at 31 December 2005, the carrying amount of the licence right was HK$27,300,000.

Key assumptions used for value-in-use calculation for impairment assessment on intangible assets with indefinite useful life:

Gross margin	82%
Growth rate	1%
Discount rate	11%

Please refer to note 16(b) for detailed explanation of these key assumptions.

18. Interests in Subsidiaries

	Company	
	2005	2004
		(As restated)
	HK$'000	HK$'000
Investments at cost – unlisted shares	**629,993**	257,945
Amounts due from subsidiaries	**5,382,464**	5,933,202
Amounts due to subsidiaries	**(1,397,844)**	(1,387,121)
Less: provisions	**(2,240,453)**	(2,240,453)
	2,374,160	2,563,573

As at 31 December 2005, the amount due from TOM Online of HK$150,388,000 (2004: HK$151,757,000) bore interest at a rate of 1.65% over 3 months Hong Kong Interbank Offered Rate ("HIBOR") per annum, and was unsecured and repayable on demand.

The remaining amounts due from and to other subsidiaries are unsecured, interest-free and repayable on demand.

The carrying amounts due from and to subsidiaries of the Company amounts approximate their fair values.

The list of the principal subsidiaries of the Group at 31 December 2005 is set out on pages 150 to 155.

19. Interests in Jointly Controlled Entities

	Group 2005 HK$'000	Group 2004 HK$'000
Share of net assets – unlisted shares	**14,876**	14,650

The list of the principal jointly controlled entities of the Group at 31 December 2005 is set out on pages 150 to 155. There are no material contingent liabilities relating to the Group's interests in these jointly controlled entities, and no material contingent liabilities of the entities themselves.

20. Interests in Associated Companies

	Group 2005 HK$'000	Group 2004 HK$'000
Share of net assets – unlisted shares	**51,725**	34,780
Goodwill	**128,177**	128,177
Other intangible assets (note (a))		
Cost	**65,156**	65,156
Accumulated amortisation	**(6,934)**	(2,040)
	58,222	63,116
	238,124	226,073

(a) The other intangible assets arising from the acquisition mainly comprised of exclusive operation agreements, non-compete agreements and advertising customer base, which are recognised at fair value at acquisition and are amortised on a straight-line basis over 5 to 20 years.

Key assumptions used for value-in-use calculations for goodwill impairment assessment:

Gross margin	45%
Growth rate	1%
Discount rate	10%

Please refer to note 16(b) for detailed explanation of these key assumptions.

20. Interests in Associated Companies *(continued)*

(b) The details of the principal associated company of the Group is set out below:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets HK$'000	Liabilities HK$'000	Turnover HK$'000	Net profit HK$'000	Effective interest held
2005							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	132,375	33,227	174,956	43,333	48.5%
2004							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	89,623	38,023	84,113	23,401	48.5%

(c) In 2004, the Group entered into a share purchase agreement for the acquisition of 27% beneficial interests in Huayi Brothers International Limited ("Huayi Brothers") from an independent third party. The acquisition was completed in September 2005 for a consideration of US$6.3 million (approximately HK$49 million), plus other direct costs. On 30 December 2005, the beneficial interests in Huayi Brothers held by the Group was reduced to 7% as a result of the disposal of 20% beneficial interests of Huayi Brothers for a consideration of US$7 million (approximately HK$55 million), resulting in a gain on disposal of approximately HK$12.3 million to the Group. The remaining investment in Huayi Brothers has been reclassified as an available-for-sale financial asset since 30 December 2005.

21. Availabile-for-sale Financial Assets

	Group	
	2005	2004
	HK$'000	HK$'000
Listed debt securities outside Hong Kong, at fair value	**1,991,295**	2,368,046
Unlisted equity securities outside Hong Kong, at fair value	**61,912**	57,728
Total	**2,053,207**	2,425,774

22. Loans and Receivables

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and advances to investee companies	**3,839**	93,425	**899**	896

The loans and advances to investee companies as at 31 December 2005 are interest-free, unsecured and repayable on demand. As at 31 December 2004, all the balances were also interest-free, unsecured and repayable on demand, except for a balance of HK$30,069,000 which was unsecured, interest bearing at rates ranging from 6% to 6.5% per annum and repayable on or before 30 April 2011. The carrying amounts of the loans and advances to investee companies approximate their fair values.

23. Other Non-current Assets

	Group	
	2005	2004
		(As restated)
	HK$'000	HK$'000
Long-term trade receivables (note 25)	**–**	74,100
Long-term other receivables (note (a))	**42,348**	–
Deferred expenses	**5,191**	8,039
Pension assets (note 32(a))	**33**	–
	47,572	82,139

Note:

(a) Long-term other receivables primarily represented an exchangeable note of US$5,297,000 issued by the controlling shareholder of Huayi Brothers (the "borrower") to a wholly-owned subsidiary of the Company, TOM Entertainment Group Limited. It is interest bearing at 6% per annum and will mature in 2007. The Group has the right, exercisable at its option, to convert US$5,000,000 of the outstanding principal amount of the exchangeable note to 8 shares of Huayi Brothers held by the borrower. The carrying amount of the receivable approximates its fair value.

24. Inventories

	Group	
	2005	2004
	HK$'000	HK$'000
Merchandise	**12,342**	17,564
Finished goods	**88,615**	90,413
Raw materials	**142**	646
Work in progress	**15,981**	14,494
	117,080	123,117

25. Trade and Other Receivables

	Group		Company	
	2005	2004 (As restated)	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note b)	**764,977**	781,010	**–**	–
Less: Amount due after one year (note 23)	**–**	(74,100)	**–**	–
Amount receivable within one year	**764,977**	706,910	**–**	–
Prepayments, deposits and other receivables (note c)	**434,292**	407,019	**22,198**	20,254
	1,199,269	1,113,929	**22,198**	20,254

(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.

25. Trade and Other Receivables *(continued)*

(b) *(continued)*

As at 31 December 2005, the ageing analysis of the Group's trade receivables is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**307,208**	346,323
31-60 days	**181,909**	136,235
61-90 days	**118,300**	113,328
Over 90 days	**227,268**	242,263
	834,685	838,149
Less: Provision	**(69,708)**	(57,139)
	764,977	781,010

	Group	
	2005	2004
	HK$'000	HK$'000
Represented by:		
Receivables from related companies	**4,967**	2,542
Receivables from third parties	**760,010**	778,468
	764,977	781,010

Total trade receivables from related companies beneficially owned by substantial shareholders of the Company, Hutchison Whampoa Limited ("HWL"), Cheung Kong (Holdings) Limited ("CKH") and Cranwood, amounted to HK$4,967,000 (2004: HK$1,634,000). Trade receivables from minority shareholders of subsidiaries of the Group amounted to HK$Nil (2004: HK$908,000). These are related to sales of goods and services as shown in note 44(a).

(c) The Group balances include amounts due from jointly controlled entities, associated companies and related companies of HK$1,373,000 (2004: HK$1,709,000), HK$260,000 (2004: HK$481,000) and HK$21,438,000 (2004: HK$37,080,000) respectively. The total balances due from related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood amounted to HK$672,000 (2004: HK$714,000). The balances due from minority shareholders of subsidiaries of the Group amounted to HK$20,766,000 (2004: HK$36,366,000).

The balances due from jointly controlled entities, associated companies and related companies represent expenses paid on behalf of these companies and are unsecured, interest-free and repayable on demand.

26. Restricted Cash

At 31 December 2005, bank deposits and cash of the Group totalling approximately HK$72,010,000 (2004: HK$11,691,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company and an investee company.

Included in the restricted cash of the Group was an amount of US$0.3 million (approximately HK$2,340,000) (2004: HK$Nil), representing money held in escrow pursuant to tax warrants provided by the founder of Indiagames.

27. Consideration Payables

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Acquisition of subsidiaries (note b)	**135,690**	1,082,111	**6,093**	39,930
Acquisition of an associated company (note b)	**110,403**	110,403	**110,403**	110,403
Acquisition of an investment security	**–**	195,000	**–**	195,000
	246,093	1,387,514	**116,496**	345,333

(a) The carrying values of consideration payables approximate their fair value.

(b) These represent consideration payables with respect to the acquisition of subsidiaries and an associated company and will be satisified by cash and/or the issuance of shares of the Company pursuant to the terms of the respective acquisition agreements.

28. Trade and Other Payables

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note b)	**243,349**	297,433	**–**	–
Less: Amounts due after one year (note 30)	**–**	(46,800)	**–**	–
Amount payable within one year	**243,349**	250,633	**–**	–
Other payables and accruals (note c)	**618,315**	556,938	**9,982**	9,086
	861,664	807,571	**9,982**	9,086

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

(b) As at 31 December 2005, the ageing analysis of the Group's trade payables is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current	**121,295**	174,078
31-60 days	**42,458**	31,116
61-90 days	**25,658**	24,298
Over 90 days	**53,938**	67,941
	243,349	297,433

	Group	
	2005	2004
	HK$'000	HK$'000
Represented by:		
Payable to related companies	**6,407**	475
Payable to third parties	**236,942**	296,958
	243,349	297,433

Total trade payables to related companies beneficially owned by HWL amounted to HK$81,000 (2004: HK$475,000). The balances due to minority shareholders of subsidiaries of the Group amounted to HK$6,326,000 (2004: HK$ Nil). These are related to purchases of goods and services as shown in note 44(b).

28. Trade and Other Payables *(continued)*

(c) The Group balances include amounts due to a jointly controlled entity and related companies of HK$2,905,000 (2004: HK$2,906,000) and HK$55,674,000 (2004: HK$72,723,000) respectively. The total balance due to related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood, amounted to HK$8,913,000 (2004: HK$11,776,000). The balance due to minority shareholders of subsidiaries of the Group amounted to HK$46,761,000 (2004: HK$60,947,000).

The amounts due to a jointly controlled entity and related companies represent expenses paid on behalf of the Group by a jointly controlled entity and related companies arising from purchases of goods and services mentioned in note 44(b) are unsecured, interest free and repayable on demand.

29. Short-term Bank Loans

	Group	
	2005	2004
	HK$'000	HK$'000
Bank loans (note a)		
Secured	**75,213**	564
Unsecured	**–**	9,400
	75,213	9,964
The bank loans are denominated in:		
Hong Kong dollar	**64,000**	–
Renminbi	**11,213**	9,964
	75,213	9,964

(a) These short-term bank loans are interest bearing at prevailing market rates. Their carrying amounts approximate their fair values.

30. Other Non-current Liabilities

	Group	
	2005	2004 (As restated)
	HK$'000	HK$'000
Non-current portion of long-term bank loans (note a)	**1,513,075**	1,182,547
Loans from minority shareholders (note b)	**9,946**	–
Convertible bonds (note 31)	**1,032,803**	1,013,272
Long-term payables (note 28)	**–**	46,800
Pension obligations (note 32(a))	**19,711**	24,867
	2,575,535	2,267,486

30. Other Non-current Liabilities *(continued)*

(a) Long-term bank loans

	Group	
	2005	2004
	HK$'000	HK$'000
Secured	**1,288,088**	850,543
Unsecured	**289,327**	332,046
	1,577,415	1,182,589
Less: current portion of long-term bank loans	**(64,340)**	(42)
	1,513,075	1,182,547
The bank loans are repayable as follows:		
Within one year	**64,340**	42
In the second year	**96,605**	42
In the third to fifth year	**1,416,185**	1,182,171
After the fifth year	**285**	334
	1,577,415	1,182,589
The bank loans are denominated in:		
Hong Kong dollar	**850,000**	850,000
US dollar	**437,576**	–
New Taiwan dollar	**289,328**	332,045
Malaysian Ringgit	**511**	544
	1,577,415	1,182,589

These long-term bank loans are interest bearing at prevailing market rates. Their carrying amounts approximate their fair values.

(b) The loans are unsecured, interest bearing at the rate of 2% over 12 months HIBOR per annum and with no fixed terms of repayment. Their carrying amounts approximate their fair values.

31. Convertible Bonds

On 28 November 2003, a wholly-owned subsidiary of the Company issued convertible bonds (the "Convertible Bonds") in the aggregate principal amount of US$150 million (approximately HK$1,170 million), which are unconditionally and irrevocably guaranteed by, and convertible into ordinary shares of par value HK$0.10 each of the Company (the "Shares"). The Convertible Bonds bear interest at the rate of 0.5% per annum on the principal amount of each Convertible Bond, payable semi-annually in arrear from 28 November 2003 up to but excluding 28 November 2008.

The Convertible Bonds are convertible at any time on and after 8 January 2004 up to the close of business on 14 November 2008 into the Shares at an initial conversion price of HK$3.315 per share, subject to adjustment. The subsidiary may, subject to certain conditions, on or at any time after 13 December 2006 and prior to 28 November 2008, redeem all, or from time to time, redeem some of the Convertible Bonds, at principal plus a fixed return of 1.25% per annum from 28 November 2003 to the redemption date.

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed at 103.86% of the principal amount, plus any accrued interest on 28 November 2008.

During the year, the subsidiary repurchased part of the Convertible Bonds with face value of US$4 million at an aggregate consideration of approximately HK$29.3 million.

The fair value of the liability component and the equity conversion component were determined at issuance of the Convertible Bonds. The fair value of the liability component, included in non-current liabilities (note 30), was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond reserve (note 36).

The Convertible Bonds recognised in the balance sheet is calculated as follows:

	Group	
	2005	2004
		(As restated)
	HK$'000	HK$'000
Face value of Convertible Bonds upon initial recognition, net of arrangement fees	**1,142,801**	1,142,801
Equity component (note 36)	**(179,036)**	(179,036)
Liability component upon initial recognition	**963,765**	963,765
Accumulated interest expense	**108,602**	55,893
Accumulated coupon interest paid	**(12,132)**	(6,386)
Buy-back of convertible bonds	**(27,432)**	–
Liability component at 31 December (note 30)	**1,032,803**	1,013,272

Interest expense is calculated using the effective interest method by applying the effective interest rate of 5.24% to the liability component. The carrying value of the liability component approximates its fair value.

32. Pension Assets and Obligations

The Group operates certain defined benefit pension plans in Hong Kong, Taiwan and India. These pension plans are either final salary defined benefit plans or with minimum guaranteed return rate on plan assets. The assets of the funded plans are generally held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in Hong Kong, Taiwan and India are valued by Watson Wyatt, KPMG Advisory Services Company Limited and Thanawala Consultancy Services, Actuaries and Consultants, respectively.

(a) The pension assets/obligations recognised in the consolidated balance sheet are determined as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Present value of funded obligations (note c)	**43,843**	45,130
Fair value of plan assets (note d)	**(24,730)**	(19,720)
Unrecognised actuarial losses	**–**	(1,585)
Unrecognised prior service cost	**565**	1,042
Recognised in the consolidated balance sheet	**19,678**	24,867
Represented by:		
Pension assets (note 23)	**(33)**	–
Pension obligations (note 30)	**19,711**	24,867
	19,678	24,867

(b) The amounts recognised in the consolidated profit and loss account are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current service cost	**6,337**	7,431
Interest cost	**1,434**	1,391
Expected return on plan assets	**(1,172)**	(1,000)
Others	**(10)**	(413)
Total, included in staff cost (note 13)	**6,589**	7,409

The actual return on plan assets was HK$1,200,000 (2004: HK$387,000).

32. Pension Assets and Obligations *(continued)*

(c) Movements in present value of the funded obligations in the consolidated balance sheet are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**45,130**	35,152
Exchange adjustment	**(1,103)**	1,454
Service cost	**6,337**	7,431
Interest cost	**1,434**	1,391
Actuarial gain	**(6,510)**	957
Others	**(1,445)**	(1,255)
At 31 December (note a)	**43,843**	45,130

(d) Movements in fair value of plan assets in the consolidated balance sheet are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**19,720**	15,937
Exchange adjustment	**(308)**	373
Expected return on plan assets	**1,172**	1,000
Actuarial gain/(loss)	**28**	(613)
Contribution by employer	**5,066**	4,278
Others	**(948)**	(1,255)
At 31 December (note a)	**24,730**	19,720

The estimated contribution by the Group for the year 2006 is approximately HK$6.1 million.

32. Pension Assets and Obligations *(continued)*

(e) The major categories of plan assets as a percentage of total plan assets are as follows:

	Group	
	2005	2004
Cash/Treasury	**62%**	61%
Equities	**32%**	31%
Bonds	**6%**	8%

The principal actuarial assumptions used are as follows:

	Group	
	2005	2004
Discount rate	**3.5% – 4.5%**	3.5% – 3.75%
Expected rate of return on plan assets	**3.5% – 8.0%**	3.5% – 8.0%
Expected rate of future salary increases	**2.5% – 3.5%**	2.5% – 3.0%

(f) Summary of defined benefit plans and respective experience adjustments are shown as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Defined benefit obligation	**(43,843)**	(45,130)
Plan assets	**24,730**	19,720
Deficit	**(19,113)**	(25,410)
Experience adjustments on plan liabilities	**5,394**	1,848
Experience adjustments on plan assets	**28**	(527)

33. Deferred Taxation

(a) Deferred tax assets

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**16,783**	27,794
Exchange adjustment	**(1,045)**	1,145
Acquisition of a subsidiary (note 40(b))	**17**	–
Credited/(charged) to consolidated profit and loss account (note c)	**22,331**	(12,156)
At 31 December	**38,086**	16,783
Amount to be recovered after more than one year	**4,443**	92

(b) Deferred tax liabilities

	Group	
	2005	2004
	HK$'000	HK$'000
At 1 January	**13,318**	17,882
Exchange adjustment	**1,234**	1,278
Credited to consolidated profit and loss account (note c)	**(4,832)**	(5,842)
At 31 December	**9,720**	13,318
Amount to be payable after more than one year	**9,720**	13,318

(c) Deferred taxation (credited)/charged to consolidated profit and loss account

	Group	
	2005	2004
	HK$'000	HK$'000
Deferred tax assets (note a)	**(22,331)**	12,156
Deferred tax liabilities (note b)	**(4,832)**	(5,842)
Deferred taxation (credited)/charged to consolidated profit and loss account (note 9)	**(27,163)**	6,314

33. Deferred Taxation *(continued)*

(d) Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) during the year

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1 January	**474**	2,240	**17,708**	25,554	**18,182**	27,794
Exchange adjustment	**(15)**	132	**(1,031)**	1,013	**(1,046)**	1,145
Acquisition of a subsidiary	**–**	–	**17**	–	**17**	–
(Charged)/credited to consolidated profit and loss account	**(368)**	(1,898)	**21,503**	(8,859)	**21,135**	(10,757)
At 31 December	**91**	474	**38,197**	17,708	**38,288**	18,182

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses as at 31 December 2005 of HK$2,920,032,000 (2004: HK$2,512,096,000) to carry forward against future taxable income. Certain of the tax losses will expire in accordance with the prevailing tax laws and regulations in the countries in which the Group operates.

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1 January	**41**	–	**14,676**	17,882	**14,717**	17,882
Exchange adjustment	**–**	–	**1,233**	1,278	**1,233**	1,278
(Credited)/charged to consolidated profit and loss account	**–**	41	**(6,028)**	(4,484)	**(6,028)**	(4,443)
At 31 December	**41**	41	**9,881**	14,676	**9,922**	14,717

Deferred income tax liabilities as at 31 December 2005 of HK$172,946,000 (2004: HK$127,690,000) have not been established for the withholding tax and other taxation that would be payable on the undistributed earnings of certain subsidiaries since the Group has determined that the earnings of the subsidiaries will not be distributed in the foreseeable future. Such undistributed earnings as at 31 December 2005 totalled HK$864,731,000 (2004: HK$638,451,000).

33. Deferred Taxation *(continued)*

(e) Deferred income tax assets and liabilities are offset when there is a legally enforcement right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005	2004
	HK$'000	HK$'000
Deferred tax assets	**38,086**	16,783
Deferred tax liabilities	**(9,720)**	(13,318)
	28,366	3,465

34. Share Capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	**HK$'000**
At 31 December 2005 and 2004	**5,000,000,000**	500,000

Company – Issued and fully paid

	Ordinary shares of HK$0.1 each	
	No. of shares	**HK$'000**
At 1 January 2004	**3,878,261,817**	387,827
Issuance of shares	**11,735,333**	1,174
At 31 December 2004	**3,889,997,150**	389,001
At 1 January 2005	**3,889,997,150**	389,001
Issuance of shares (note)	**3,273,408**	327
At 31 December 2005	**3,893,270,558**	389,328

Note:

On 24 September 2005, 3,273,408 ordinary shares were allotted for settlement of a consideration payable at price of HK$1.44 per share (being the average closing price of the shares over the 10 consecutive trading days as quoted on the Stock Exchange immediately before 30 May 2005, the date of issue of the 2004 audited account of a subsidiary on which the final consideration for the acquisition of that subsidiary was determined).

35. Share Option Schemes

(a) Details of share options granted by the Company

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, the Pre-IPO Share Option Plan and the Old Option Scheme were adopted by the Company.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 July 2004, the Company adopted a New Option Scheme and terminated the Old Option Scheme due to the withdrawal of the listing of the shares of the Company on GEM and commencement of dealings of the shares of the Company on the Main Board. The adoption of the New Option Scheme and the termination of the Old Option Scheme took effect from 4 August 2004 (listing date of the shares of the Company on the Main Board).

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employees of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares in the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on the GEM of the Stock Exchange on 1 March 2000. The exercise price per share under the Pre-IPO Share Option Plan is HK$1.78 and the options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 2002 and 2003, respectively.

Pursuant to the Old Option Scheme and the New Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up options to subscribe for shares in the Company. The options granted under the Old Option Scheme can be exercised at prices ranging from HK$2.505 to HK$11.3 per share at any time within the option period of ten years from the respective dates of grant, provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period unless they are cancelled. No option has been granted pursuant to the New Option Scheme since its adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company shall not exceed 388,941,336 shares, being 10% of the issued share capital of the Company at the date of approval of the New Option Scheme.

35. Share Option Schemes *(continued)*

(a) Details of share options granted by the Company (continued)

Movements in share options are as follows:

Pre-IPO Share Option Plan	2005 Weighted average exercise price per share HK$	2005 Number of share options	2004 Weighted average exercise price per share HK$	2004 Number of share options
Outstanding at 1 January and 31 December	**1.78**	**16,196,000**	1.78	16,196,000
Exercisable at 31 December	**1.78**	**16,196,000**	1.78	16,196,000

Old Option Scheme	2005 Weighted average exercise price per share HK$	2005 Number of share options	2004 Weighted average exercise price per share HK$	2004 Number of share options
Outstanding at 1 January	**3.37**	**182,757,000**	3.47	186,279,000
Granted	**–**	**–**	2.55	10,000,000
Lapsed	**6.65**	**(438,000)**	4.43	(3,306,000)
Cancelled	**4.00**	**(17,637,000)**	4.12	(10,216,000)
Outstanding at 31 December	**3.30**	**164,682,000**	3.37	182,757,000
Exercisable at 31 December	**3.39**	**135,456,000**	3.57	128,719,000

Terms of the share options outstanding at 31 December 2005 are:

Expiry date	Exercise price per share	2005	2004
10 February – 14 November 2010	HK$1.78 – HK$11.30	**49,378,000**	55,108,000
6 February 2012	HK$3.76	**20,000,000**	30,000,000
8 October 2013	HK$2.505	**101,500,000**	103,845,000
15 February 2014	HK$2.55	**10,000,000**	10,000,000
		180,878,000	198,953,000

35. Share Option Schemes *(continued)*

(b) Details of TOM Online's Pre-IPO Share Option Plan and Share Option Scheme

Pursuant to a written resolution of the then sole shareholder of TOM Online passed on 12 February 2004, a Pre-IPO Share Option Plan and Share Option Scheme were adopted by TOM Online.

Pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme, the Board of TOM Online may grant share options to any part-time or full-time employees or directors (including any executive director and independent non-executive director) of TOM Group Limited and/or any company in TOM Online Group, and any advisor or consultant to TOM Online Group. However, save for the options which have been granted on 16 February 2004, no further options may be granted upon the listing of the shares of TOM Online on the GEM on 11 March 2004. The exercise price per share under the Pre-IPO Share Option Plan is HK$1.50. The options granted to a grantee will vest in 5 tranches in the proportion of 10%: 15%: 20%: 25%: 30%. The first, second and third tranches of the options have vested on 12 April 2004, 16 February 2005 and 16 February 2006 respectively. The fourth and fifth tranches of the options will vest on 16 February 2007 and 16 February 2008 respectively. The options granted to a grantee will vest in 4 tranches in the proportion of 15%: 25%: 30%: 30%. The first and second tranches of the options have vested on 16 February 2005 and 16 February 2006 respectively. The third and fourth tranches will vest on 16 February 2007 and 16 February 2008 respectively. For certain grantees, the options will vest in 4 tranches in the proportion of 10%: 30%: 30%: 30%. The first, second and third tranches of the options have vested on 12 April 2004, 16 February 2005 and 16 February 2006 respectively, the fourth tranche of the options will vest on 16 February 2007. For certain grantees, the options have vested on (i) 12 April 2004 or (ii) 12 April 2004 and 16 February 2005.

Options to subscribe for 18,000,000 shares of TOM Online were granted to a grantee under the Share Option Scheme. The options will vest in 4 tranches in the proportion of 15%:25%:30%:30% on 11 May 2006, 1 May 2007, 11 May 2008 and 11 May 2009 respectively and the exercise price per share is HK$1.204.

Movements in share options are as follows:

	2005		2004	
Pre-IPO Share Option Plan	**Weighted average exercise price per share HK$**	**Number of share options**	Weighted average exercise price per share HK$	Number of share options
Outstanding at 1 January	**1.50**	**262,425,040**	–	–
Granted	**–**	**–**	1.50	280,000,000
Exercised	**1.50**	**(24,176,602)**	–	–
Lapsed	**1.50**	**(17,791,257)**	1.50	(17,574,960)
Outstanding at 31 December	**1.50**	**220,457,181**	1.50	262,425,040
Exercisable at 31 December	**1.50**	**51,502,969**	1.50	26,352,654

35. Share Option Schemes *(continued)*

(b) Details of TOM Online's Pre-IPO Share Option Plan and Share Option Scheme (continued)

Share Option Scheme	2005 Weighted average exercise price per share HK$	2005 Number of share options	2004 Weighted average exercise price per share HK$	2004 Number of share options
Outstanding at 1 January	–	–	–	–
Granted	**1.204**	**18,000,000**	–	–
Exercised	–	–	–	–
Outstanding at 31 December	**1.204**	**18,000,000**	–	–
Exercisable at 31 December	–	–	–	–

The exercise of certain share options under TOM Online's Pre-IPO Share Option Plan were made during September to December 2005. The weighted average closing market price of TOM Online's shares during this period was HK$1.96 per share.

Details of the share options granted under the Share Option Scheme during the year are as follow:

Number of options granted:	18,000,000
Expiry date:	10 May 2015
Exercise price per share:	HK$1.204

Terms of the share options outstanding at 31 December 2005 are:

Expiry date	Exercise price per share	2005 Number of share options	2004 Number of share options
15 February 2014	HK$1.50	**220,457,181**	262,425,040
10 May 2015	HK$1.204	**18,000,000**	–
		238,457,181	262,425,040

35. Share Option Schemes *(continued)*

(c) Valuation of share options

Pursuant to the transitional provision of HKFRS 2, the fair value of services received from employees in return for share options granted after 7 November 2002 and not yet vested on 1 January 2005 are measured by reference to the fair value of share options granted. The amount is to be expensed in the consolidated profit and loss account over the vesting period of the share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Key assumptions at the dates of grant are as follow:

Risk-free interest rate (%)	:	2.07 to 4.22
Expected option life (years)	:	1 to 7.01
Expected dividend rate (%)	:	0
Expected volatility (%)	:	46 to 64
Weighted average fair value at grant date per share (HK$)	:	0.55 to 1.16

The expected volatility is based on the historical volatility. The expected option life used has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total share compensation costs recognised during the year amount to HK$49,371,000 (2004 (As restated): HK$68,297,000).

36. Reserves

	Group								
	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 bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004, as previously reported	3,605,986	(377)	776	15,579	5,610	1,206	–	(2,391,147)	1,237,633
Effects of adoption of HKFRS 2	–	3,951	–	–	–	–	–	(3,951)	–
Effect of adoption of HKAS 32	–	–	–	–	–	–	179,036	(2,891)	176,145
At 1 January 2004, as restated	3,605,986	3,574	776	15,579	5,610	1,206	179,036	(2,397,989)	1,413,778
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	15,605	–	–	–	–	–	–	–	15,605
Investment revaluation deficit	–	–	–	–	(10,710)	–	–	–	(10,710)
Employees share option schemes – value of employee services	–	55,729	–	–	–	–	–	–	55,729
Effect of adoption of HKAS 32	–	–	–	–	(254)	–	–	–	(254)
Profit for the year, as restated	–	–	–	–	–	–	–	773,448	773,448
Transfer to general reserve	–	–	–	64,184	–	–	–	(64,184)	–
Exchange difference	–	–	–	304	(84)	(3,800)	–	–	(3,580)
At 31 December 2004, as restated	3,621,591	59,303	776	80,067	(5,438)	(2,594)	179,036	(1,688,725)	2,244,016
At 1 January 2005, as previously reported	3,621,591	(377)	776	80,067	(5,184)	(2,594)	–	(1,595,509)	2,098,770
Effects of adoption of HKFRS 2	–	59,680	–	–	–	–	–	(59,680)	–
Effect of adoption of HKAS 32 and 39	–	–	–	–	(254)	–	179,036	(33,536)	145,246
At 1 January 2005, as restated	3,621,591	59,303	776	80,067	(5,438)	(2,594)	179,036	(1,688,725)	2,244,016
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	4,390	–	–	–	–	–	–	–	4,390
Investment revaluation deficit	–	–	–	–	(44,788)	–	–	–	(44,788)
Employee share option schemes – value of employee services	–	37,264	–	–	–	–	–	–	37,264
Profit for the year	–	–	–	–	–	–	–	259,526	259,526
Net actuarial gain on defined benefit plan	–	–	–	–	–	–	–	4,172	4,172
Partial redemption of Convertible Bonds	–	–	–	–	–	–	(4,709)	–	(4,709)
Transfer to general reserve	–	–	–	20,028	–	–	–	(20,028)	–
Exchange difference	–	–	–	(256)	31	7,056	–	–	6,831
At 31 December 2005	3,625,981	96,567	776	99,839	(50,195)	4,462	174,327	(1,445,055)	2,506,702

36. Reserves *(continued)*

	Company					
	Share premium account HK$'000	Capital reserve HK$'000	Contribution surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004, as previously reported	4,080,480	–	23,565	776	(2,141,715)	1,963,106
Effects of adoption of HKFRS 2	–	3,951	–	–	–	3,951
At 1 January 2004, as restated	4,080,480	3,951	23,565	776	(2,141,715)	1,967,057
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	15,605	–	–	–	–	15,605
Employee share option schemes – value of employee services	–	19,993	–	–	–	19,993
Loss for the year	–	–	–	–	(105,161)	(105,161)
At 31 December 2004, as restated	4,096,085	23,944	23,565	776	(2,246,876)	1,897,494
At 1 January 2005, as previously reported	4,096,085	–	23,565	776	(2,246,876)	1,873,550
Effects of adoption of HKFRS 2	–	23,944	–	–	–	23,944
At 1 January 2005, as restated	4,096,085	23,944	23,565	776	(2,246,876)	1,897,494
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	4,390	–	–	–	–	4,390
Employee share option schemes – value of employee services	–	11,000	–	–	–	11,000
Loss for the year	–	–	–	–	(5,787)	(5,787)
At 31 December 2005	4,100,475	34,944	23,565	776	(2,252,663)	1,907,097

Note:

The Company's reserves available for distribution calculated under Companies Law of the Cayman Islands comprise the share premium account, contributed surplus and accumulated losses totalling HK$1,871,377,000 (2004 (As restated): HK$1,872,774,000).

37. Own Shares Held

	No. of shares	HK$'000
At 1 January 2004 and 2005	2,928,564	6,085
Buy back of shares	115,207	159
At 31 December 2005	3,043,771	6,244

38. Minority Interests

	2005 HK$'000	2004 (As restated) HK$'000
At 1 January	**709,655**	163,083
Profit for the year attributable to minority interests	**91,772**	91,735
Exchange difference	**1,611**	3,183
Revaluation deficit on available-for-sale financial assets	**(6,625)**	(1,069)
Actuarial gain on defined benefit plan	**1,032**	–
Recognised income and expense attributable to minority interests	**87,790**	93,849
Acquisition of subsidiaries (note 40(b))	**(15,894)**	2,764
Dividend to minority interests	**(25,433)**	(8,820)
Contribution from minority interests	**23,768**	1,932
Deemed disposal of interests in subsidiaries (note 40(c))	**224,159**	458,764
Disposal/deconsolidation of subsidiaries (note 40(d))	**1,345**	(14,508)
Employee share option scheme-value of employee services attributable to minority interests	**12,107**	12,568
Others	**–**	23
At 31 December	**1,017,497**	709,655

39. Business Combinations and Acquisitions

(a) Acquisition of Indiagames

On 24 February 2005, TOM Online acquired 76.29% of the share capital of Indiagames through one of its wholly-owned subsidiary, TOM Online Games. Indiagames Group is primarily engaged in the development of mobile games. The acquisition helps the Group enlarge its market share in the global wireless value added services market. The purchase consideration was approximately US$13.7 million (approximately HK$107.1 million). The allocation of costs of acquisition is as follow:

	HK$'000
Net assets acquired at fair value:	
Fixed assets	703
Intangible assets recognised upon acquisition	6,021
Deferred tax assets	17
Trade and other receivables	22,116
Bank balance and cash	2,442
Trade and other payables	(6,934)
Taxation payables	(2,122)
Minority interests	(3,845)
	18,398
Cost of acquisition:	
Purchase consideration-cash	107,121
Other directly attributable costs	2,500
	109,621
Goodwill	91,223

The acquiree's book value of net assets acquired at the date of acquisition approximates its fair value as disclosed above.

The goodwill is attributable to the future profitability of Indiagames and the significant synergies expected to arise after the Group's acquisition.

The Group's shares of Indiagames Group's net assets as at 31 December 2005, post acquisition turnover and profit for the year ended 31 December 2005 amounted to approximately HK$21,196,000, HK$31,556,000 and HK$2,704,000, respectively. The contribution of turnover and net profit to the Group by Indiagames Group for the period from 1 January 2005 to 23 February 2005, assuming it was acquired by the Group on 1 January 2005, is not material to the Group.

39. Business Combinations and Acquisitions *(continued)*

(b) Acquisition of further interests in Tennis Management Limited ("TML")

On 15 April 2005, the Company, by way of a public announcement, reported that a petition for the winding up of TML, a then 60%-owned subsidiary of the Company, was presented by Spectrum International Holding Limited ("Spectrum"), the then 40% minority shareholder of TML, on 8 April 2005 in the High Court of Justice in the British Virgin Islands (the "Petition").

TML and its subsidiaries (collectively the "TML Group") is mainly engaged in hosting and organising sports events in Asia, most notably the hosting and organising of the annual ATP and WTA tennis tournaments in Beijing, namely the China Open Tennis Tournament.

On 8 July 2005, a deed of settlement (the "Deed") has been entered into among Modern Perfect Developments Limited ("Modern Perfect", a wholly-owned subsidiary of the Company and the immediate holding company of TML), TML, Spectrum, Mr. Venancio Lincoln ("Mr. Venancio", the sole shareholder of Spectrum) and Spectrum Plus Limited, a company wholly-owned by Mr. Venancio. Pursuant to which, among others, the proceedings instigated by Spectrum and Mr. Venancio against the Group, including the Petition, have been discontinued.

Further, under the Deed, Modern Perfect has acquired the remaining 40% interests in TML from Spectrum for a consideration of US$6.88 million (approximately HK$53.7 million, the "Consideration"), and the Company has transferred to Spectrum five wholly-owned subsidiaries of TML (the "Transferring Companies"), including the business operated by TML in Thailand. Both parties also agreed to waive all claims on outstanding amounts due from the either party.

The transaction was completed on 10 August 2005 and the Consideration has been fully paid. After the completion, TML and its subsidiaries, excluding those Transferring Companies, have become wholly-owned subsidiaries of the Company. The goodwill arising from this acquisition of 40% interests in TML amounted to HK$34.5 million.

The goodwill is attributable to the expected future profitability of the business of TML Group.

40. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow from operations

	2005 HK$'000	2004 (As restated) HK$'000
Operating profit	**495,449**	959,516
Net gain on deemed disposals of interests in subsidiaries	**(160,335)**	(979,476)
Gain on disposal of interests in an associated company	**(12,336)**	–
Provision for receivables, net	**7,271**	22,476
Amortisation and depreciation	**155,561**	123,250
Share of losses of jointly controlled entities	**138**	367
Share of profits less losses of associated companies	**(21,229)**	(11,044)
Loss on disposal of fixed assets	**7,185**	5,751
Loss on disposal of non-current assets	**1,793**	–
Gain on buy-back of convertible bonds	**(2,852)**	–
Share-based compensation	**49,371**	68,297
Gain on exercise of share options of TOM Online	**(14,177)**	–
Gain on disposal of interest in subsidiaries (note d)	**(6,180)**	–
Gain on disposal of available-for-sale financial assets	**(6,233)**	–
Interest income	**(88,088)**	(83,179)
Provision for impairment of available-for-sale financial assets	**–**	1,363
Provision for impairment of assets	**–**	85,128
Provision for contracts termination	**–**	134,315
Listing expenses	**–**	19,812
Adjusted operating profit before working capital changes	**405,338**	346,576
Decrease in long-term receivables	**31,752**	27,300
(Increase)/decrease in pension assets	**(33)**	440
Decrease/(increase) in inventories	**5,481**	(26,758)
Increase in trade and other receivables	**(295,495)**	(145,457)
Increase/(decrease) in trade and other payables	**160,597**	(199,540)
Decrease in long-term payables	**(46,800)**	–
Increase in pension obligations	**843**	3,173
Exchange adjustment	**(10,251)**	2,900
Net cash inflow from operations	**251,432**	8,634

40. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Acquisition of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Fixed assets (note 15)	**703**	12,683
Other intangible assets (note 17)	**6,021**	7,263
Deferred tax asset (note 33(a))	**17**	–
Trade and other receivables	**21,047**	23,814
Bank balances and cash	**2,442**	46,701
Trade and other payables	**(6,934)**	(23,731)
Taxation payable	**(2,122)**	(922)
Consideration payable	**7,800**	–
Minority interests (note 38)	**15,894**	(2,764)
Own shares held	**159**	–
	45,027	63,044
Goodwill (note 16)	**126,732**	257,491
	171,759	320,535
Satisfied by:		
Cash	**167,108**	164,387
Consideration settled by disposal of subsidiaries (note d)	**1,651**	–
Consideration payables	**–**	156,148
Direct costs incurred	**3,000**	–
	171,759	320,535
Analysis of the net cash outflow in respect of the acquisition of subsidiaries:		
Cash consideration	**(167,108)**	(164,387)
Bank balances and cash acquired	**2,442**	46,701
Net cash outflow in respect of acquisition of subsidiaries	**(164,666)**	(117,686)

The subsidiaries acquired during the year contributed HK$6,410,000 (2004: HK$18,162,000) to the Group's net operating cash flows and utilised HK$Nil (2004: HK$394,000) for investing activities.

40. Notes to the Consolidated Cash Flow Statement *(continued)*

(c) Deemed disposal of interests in subsidiaries

	2005 HK$'000	2004 HK$'000
(Decrease)/increase in goodwill (note 16)	**(16,585)**	1,029,534
Decrease in other intangible assets (note 17)	**(860)**	–
Increase in bank balances and cash	**31,072**	1,334,364
Increase in trade and other payables	**–**	(39,624)
Decrease/(Increase) in consideration payables	**370,867**	(886,034)
Increase in minority interests (note 38)	**(224,159)**	(458,764)
Gain on deemed disposal of subsidiaries	**160,335**	979,476

(d) Disposal/deconsolidation of interests in subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets disposed/deconsolidated of:		
Fixed assets (note 15)	**605**	1,729
Other intangible assets (note 17)	**–**	18,634
Goodwill (note 16)	**5,143**	–
Inventories	**556**	11,171
Trade and other receivables	**26,112**	107,921
Bank balances and cash	**2,706**	219
Trade and other payables	**(18,844)**	(99,028)
Consideration payables	**(13,536)**	–
Taxation payable	**(8,383)**	(5,658)
Minority interests (note 38)	**1,345**	(14,508)
	(4,296)	20,480
Gain on disposal of interests in subsidiaries (note a)	**6,180**	–
	1,884	20,480
Satisfied by:		
Reclassification as investment securities	**–**	20,480
As partial consideration for acquisition of interests in subsidiaries (note b)	**1,651**	–
Cash	**233**	–
	1,884	20,480
Analysis of the net cash outflow in respect of the disposal of subsidiaries:		
Cash consideration	**233**	–
Bank balances and cash deconsolidated/disposed of	**(2,706)**	(219)
Net cash outflow in respect of disposal/deconsolidation of interests in subsidiaries	**(2,473)**	(219)

40. Notes to the Consolidated Cash Flow Statement *(continued)*

(e) Analysis of changes in financing during the year

	Share capital including premium and capital reserve HK$'000	Bank loans HK$'000	Convertible bonds HK$'000	Loans from shareholders HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2004, as previously reported	3,987,351	35,047	1,170,753	850,000	163,083	6,206,234
Effects of adoption of HKFRS 2	3,951	–	–	–	–	3,951
Effects of adoption of HKAS 32	–	–	(202,897)	–	–	(202,897)
At 1 January 2004, as restated	3,991,302	35,047	967,856	850,000	163,083	6,007,288
New bank and other loans	–	1,234,707	–	–	–	1,234,707
Loan repayments	–	(83,936)	–	(850,000)	–	(933,936)
Contribution from minority shareholders	–	–	–	–	1,932	1,932
Net cash from/(used in) financing activities	–	1,150,771	–	(850,000)	1,932	302,703
Shares issued for acquisition of subsidiaries	16,779	–	–	–	–	16,779
Employees share option schemes – value of employee services	55,729	–	–	–	12,568	68,297
Interest expenses for the year, net of interest payment	–	–	45,416	–	–	45,416
Profits attributed to minority interests, as restated	–	–	–	–	91,735	91,735
Deemed disposal of interests in subsidiaries (note c)	–	–	–	–	458,764	458,764
Revaluation deficit on available-on-sale financial assets attributable to minority interests	–	–	–	–	(1,069)	(1,069)
Other reserves attributable to minority interests	–	–	–	–	23	23
Acquisition of subsidiaries (note b)	–	–	–	–	2,764	2,764
Deconsolidation of a subsidiary (note d)	–	–	–	–	(14,508)	(14,508)
Dividends payable to minority shareholders	–	–	–	–	(8,820)	(8,820)
Exchange adjustment	–	6,735	–	–	3,183	9,918
	72,508	6,735	45,416	–	544,640	669,299
At 31 December 2004, as restated	4,063,810	1,192,553	1,013,272	–	709,655	6,979,290

40. Notes to the Consolidated Cash Flow Statement *(continued)*

(e) Analysis of changes in financing during the year (continued)

	Share capital including premium and capital reserve HK$'000	Bank loans HK$'000	Convertible bonds HK$'000	Loans from a minority shareholder HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005, as previously reported	4,004,130	1,192,553	1,179,785	–	709,655	7,086,123
Effect of adoption of HKFRS 2	59,680	–	–	–	–	59,680
Effect of adoption of HKAS 32	–	–	(166,513)	–	–	(166,513)
At 1 January 2005, as restated	4,063,810	1,192,553	1,013,272	–	709,655	6,979,290
New bank and other loans	–	512,123	–	9,946	–	522,069
Loan repayments	–	(41,469)	–	–	–	(41,469)
Net cash from financing activities	–	470,654	–	9,946	–	480,600
Shares issued for acquisition of subsidiaries (note c)	4,717	–	–	–	–	4,717
Profits attributed to minority interests	–	–	–	–	91,772	91,772
Deemed disposal of interests in subsidiaries (note c)	–	–	–	–	224,159	224,159
Minority interests in revaluation reserve	–	–	–	–	(6,625)	(6,625)
Net actuarial gains on defined benefit plans	–	–	–	–	1,032	1,032
Acquisition of interest in subsidiaries (note b)	–	–	–	–	(15,894)	(15,894)
Disposal of interests in subsidiaries (note d)	–	–	–	–	1,345	1,345
Dividends paid to minority shareholders	–	–	–	–	(25,433)	(25,433)
Buy-back of convertible bonds	–	–	(27,432)	–	–	(27,432)
Contribution from minority shareholders	–	–	–	–	23,768	23,768
Employees share option schemes – value of employee services	37,264	–	–	–	12,107	49,371
Interest expenses for the year, net of interest payment	–	–	46,963	–	–	46,963
Increase of own shares held	(159)	–	–	–	–	(159)
Exchange adjustment	–	(10,579)	–	–	1,611	(8,968)
	41,822	(10,579)	19,531	–	307,842	358,616
At 31 December 2005	4,105,632	1,652,628	1,032,803	9,946	1,017,497	7,818,506

41. Pledge of Assets

(a) At 31 December 2005, available-for-sale financial assets with market value of approximately HK$917,790,000 (2004: HK$941,653,000) and HK$461,153,000 (2004: HK$Nil) were pledged to banks for securing bank loans of HK$850,000,000 (2004: HK$850,000,000) and HK$437,576,000 (2004: HK$Nil), respectively.

(b) At 31 December 2005, concession rights and properties of net book value of HK$4,916,000 (2004: HK$3,096,000) and HK$11,174,000 (2004: HK$801,000), respectively were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

42. Contingent Liabilities

(a) The Group has no material contingent liabilities as at 31 December 2005. As at 31 December 2004, the Group had contingent liabilities amounting to approximately HK$9,400,000 in respect of the provision of fixed deposits as securities for bank loans granted to an investee company in which the Group has 50% equity interest.

(b) Save as disclosed in note 31, the Company did not have any contingent liability at 31 December 2005 (2004: HK$Nil).

43. Commitments

(a) *Capital commitments*

	Group	
	2005	2004
	HK$'000	HK$'000
Acquisition of new investments		
– Contracted but not provided for	**9,552**	177,307
Acquisition of fixed assets and other intangible assets		
– Contracted but not provided for	**21,941**	18,051
– Authorised but not contracted for	**319,178**	310,971
	350,671	506,329

(b) As at 31 December 2005, the Group had commitments in respect of contributions to registered capital of certain investments in Mainland China amounted to approximately HK$12,714,000 (2004: HK$11,214,000) and provision of interest-free shareholder's loan to an investment in Mainland China of HK$Nil (2004: HK$4,315,000).

(c) *Commitments under operating leases*

At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2005		2004	
	Land and buildings	**Other assets**	Land and buildings	Other assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
Not later than one year	**24,993**	**66,848**	27,596	50,139
Later than one year and not later than five years	**22,001**	**148,441**	15,249	143,428
Later than five years	**–**	**15,860**	–	19,894
	46,994	**231,149**	42,845	213,461

(d) The Company did not have any commitments at 31 December 2005 (2004: HK$Nil).

44. Related Party Transactions

A summary of other significant related party transactions, in addition to those disclosed in notes 6(a), 25 and 28 to the accounts, is set out below:

(a) Sales of goods and services

	Group	
	2005	2004
	HK$'000	HK$'000
Sales to		
– HWL and its subsidiaries	**8,086**	4,820
– CKH and its subsidiaries	**663**	1,208
– a jointly controlled entity	**2,485**	5,135
– minority shareholders of subsidiaries and their subsidiaries	**137**	2,031

Year-end balances due from these related companies arising from sales of goods and services are shown in note 25(b).

(b) Purchase of goods and services

	Group	
	2005	2004
	HK$'000	HK$'000
Cost of sales payable to		
– minority shareholders of subsidiaries and their subsidiaries	**33,530**	38,707
– related companies of minority shareholders of subsidiaries	**2,265**	–
Office and warehouse rental payable to		
– an associated company of CKH	**9,996**	9,404
– a subsidiary of CKH	**4,140**	5,694
– minority shareholders of subsidiaries and their subsidiaries	**1,418**	1,359
Service fees payable to		
– HWL and its subsidiaries	**11,295**	16,415
– minority shareholders of subsidiaries and their subsidiaries	**7,024**	19,024
Interest expenses payable to		
– a subsidiary of HWL	**–**	1,594
– a subsidiary of CKH	**–**	798
– Cranwood	**–**	1,594

Year-end balances due to these related companies arising from purchase of goods and services are shown in notes 28(b) and 28(c).

(c) Key management compensation

Management considers remuneration to all key management of the Group has already been disclosed in note 14.

45. Subsequent Events

(a) 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 aggregated amount 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. In addition, the Group has the option to acquire the remaining 25% shareholding at US$2.4 million (equivalent to HK$18.7 million) within 2 years from the execution date of the sale and purchase agreement.

In March 2006, RMB21 million (approximately HK$20.2 million) was paid by the Group.

(b) Proposed disposal of 50% interest in Yazhou Zhoukan Holdings Limited ("YZZK")

YZZK is a 50%-owned subsidiary of Energetic Assets Limited ("Energetic", a wholly-owned subsidiary of the Company) and the other 50% equity interest is owned by Skyland International Investment Limited ("Skyland", a non wholly-owned subsidiary of Ming Pao Enterprise Corporation Limited ("Ming Pao")). YZZK and its subsidiaries are principally engaged in the publishing of Yazhou Zhoukan, a Chinese current events weekly magazine.

On 20 March 2006, the Company, Energetic and YZZK entered into a sale and purchase agreement with Skyland and Mingpao, pursuant to which, among other things, Energetic has agreed to sell its 50% equity interests in YZZK to Skyland for a consideration of HK$16.2 million. The consideration is to be satisfied by the issue and allotment by Ming Pao, which is a listed company in the Stock Exchange to Energetic or its nominee of 12,000,000 ordinary shares of Ming Pao (the "Consideration Shares").

The completion of this transaction is conditional upon the granting by the Listing Committee of the Stock Exchange of an approval for the listing of, and permission to deal in, the Consideration Shares. Upon completion, the Company will hold 2.96% equity interests in the enlarged share capital of Ming Pao. The investment in Ming Pao by the Group will be classified as available-for-sale financial assets in the balance sheet and carried at fair value.

The gain on disposal to be recognised by the Group upon the completion of this transaction is estimated to be approximately HK$14 million.

(c) Settlement with China Open Promotion Company Limited ("COL")

As disclosed in the interim report of the Group for the six-month ended 30 June 2005, provisions totalling HK$70,903,000 has been made by the Group for accounts receivable for two sports events during first half 2005. Included in this amount is a provision of HK$24,700,000 for a balance due from COL, which is 51% held by Beijing Media Corporation Limited ("BMC", a listed company in the Stock Exchange), in relation to 2004 China Open.

On 18 March 2006, an agreement has been entered into by the Group with COL and BMC pursuant to which COL has agreed to pay a total of US$8.75 million (approximately HK$68.25 million) as full and final settlement of amounts due to the Group for 2004 and 2005 China Open. Partial settlement of US$1 million (approximately HK$7.8 million) has been received by the Group on 21 March 2006 and the remaining of the balance will be received by the end of March 2006.

As a result, the provision of HK$24,700,000 has been fully written back in 2005 second half consolidated profit and loss account of the Group.

46. Approval of Accounts

The accounts were approved by the board of directors on 21 March 2006.