

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December 2006.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 36 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 to the consolidated financial statements.

Change of Company Name

The Company changed its name to Asian Union New Media (Group) Limited on 4th July 2006.

Results and Dividends

The results of the Group for the year are set out in the consolidated income statement on page 29.

During the year, the Group has paid interim dividend in specie of HK\$211,206,000 by distributing 113,318,812 ordinary shares of DVN (Holdings) Limited to its Shareholders. The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2006.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company are set out in note 26 to the financial statements.

Share Options

A share option scheme (the "Option Scheme") was adopted by the Company on 30th July 2002. The purpose of the Option Scheme is to recognize and acknowledge the contributions of the Qualified Persons (as defined in the Option Scheme, including but not limit to, the directors, employees, partners and associates of the Group) to the Group.

Pursuant to this 10-year term Option Scheme, the Company can grant options to Qualified Persons for a consideration of HK\$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on the annual general meeting of the Company, dated 30th June 2005, the Company can grant up to 991,647,402 share options to the Qualified Persons.

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Share Options (Continued)

Subscription price in relation to each option pursuant the Option Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to an Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of directors of the Company.

The Company did not grant any share options in 2006.

Details of the share options outstanding as at 31st December 2006 which have been granted under the scheme are as follows:

	Date of share options granted	Number of share options outstanding as at 1st January 2006	Number of share options granted during the year	Number of share options cancelled/ lapsed during the year	Number of share options exercised during the year	Number of share options outstanding as at 31st December 2006	Exercise period	Exercise price per share
Qualified person (excluding directors)	1/12/2004	277,400,000	—	—	—	277,400,000	1/1/2005 to 31/12/2009	0.054
		277,400,000	—	—	—	277,400,000		

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31st December 2006, calculated under the Companies Law (2002 Revision) (Cap. 22) of the Cayman Islands and the Company's Articles of Association, amounted in total to HK\$370,899,000 (2005: HK\$292,962,000), representing the amount standing to the credit of the share premium of HK\$325,371,000 (2005: HK\$447,208,000) plus the retained profits of HK\$45,528,000 (2005: less the accumulated losses of HK\$154,246,000). The Company may make distributions to its members out of the share premium in certain circumstances.

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Major suppliers and Major Customers

During the year, the Group purchased less than 30% of its programmes and film rights, advertising resources and services from its 5 largest suppliers. The percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

— the largest customer	9%
— five largest customers combined	39%

As far as the directors are aware, none of the directors, their associates or any shareholders (which to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the major customers noted above.

Directors

The directors during the year and up to the date of this report were:

Executive directors

Mr. Dong Ping

Mr. Ko Chun Shun, Johnson

Mr. Shen Ka Yip, Timothy (resigned on 30th August 2006)

Non-executive directors

Mr. Tsoi Tong Hoo, Tony

Mr. Cheong Chow Yin (resigned on 29th June 2006)

Independent non-executive directors

Mr. Wilton Timothy Carr Ingram

Dr. Wong Yau Kar, David

Mr. Yuen Kin

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Messrs Wilton Timothy Carr Ingram and Tsoi Tong Hoo, Tony will retire, and being eligible, offers themselves for re-election at the forthcoming annual general meeting.

Not all the existing INEDs are appointed for a specific term, all Directors are subject to the retirement by rotation and re-election at the annual general meeting of the Company.

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules during the year and the Company considered that they are independent.

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Biographical Details of Directors and Senior Management

Directors

Name	Age	Position held	Number of years of service	Business experience
Mr. Dong Ping	46	Chairman and Executive Director	2	Television and media, advertising, movie and TV drama investments
Mr. Ko Chun Shun, Johnson	55	Executive Director	13	Direct investments, mergers and acquisitions, TMT (television, media and telecommunications), advertising, electronic manufacturing services, financial services and property investments
Mr. Tsoi Tong Hoo, Tony	42	Non-executive Director	3	Media and corporate finance
Mr. Wilton Timothy Carr Ingram	59	Independent Non-executive Director	11	Investment, brokerage and direct investment
Dr. Wong Yau Kar, David	49	Independent Non-executive Director	7	Manufacturing, international trade and corporate finance
Mr. Yuen Kin	52	Independent Non-executive Director	3	Finance and accounting

Senior management staff

Mr. Wang Yi	45	Vice President — Media Division	2	Media
Mr. Hau Wai Man, Raymond	31	Financial Controller	1	Finance and accounting
Mr. Chan Kam Kwan, Jason	33	Company Secretary	7	Accounting, corporate finance

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Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

Except as disclosed in the sections "Directors' and chief executives' interests in short positions in the shares, underlying shares and debentures of the Company or any associated corporation" and "Connected transactions" below, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests in the Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 31st December 2006, the interests of each director and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code contained in the Listing Rules, were as follows:

(A) Long positions in ordinary shares of HK\$0.01 each in the Company

Names	Note	Personal interests	Number of shares held.			Total	% of the Issued Share Capital of the Company
			Family interests	Corporate interests			
Mr. Ko Chun Shun, Johnson ("Mr. Ko")	Long positions (i)	3,187,347,483	—	1,000,437,150	4,187,784,633	34.79	
Mr. Dong Ping ("Mr. Dong")	Long positions	2,700,000,000	—	—	2,700,000,000	22.43	

Notes:

- (i) Kwan Wing Holdings Limited ("Kwan Wing") and Techral Holdings Limited ("Techral"), a subsidiary of Kwan Wing, beneficially owned 360,399,000 and 640,038,150 ordinary shares in the Company, respectively. Mr. Ko has 100% direct interest in Kwan Wing and approximately 96% beneficial interest in Techral.

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Directors' and Chief Executives' Interests in the Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation *(Continued)*

(B) Convertible notes of the Company

Mr. Ko holds convertible notes which can be converted into 3,202,234,673 ordinary shares of HK\$0.01 each of the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Ko in trust for the Company, as at 31st December 2006, none of the directors, the chief executive (including their spouses and children under 18 years of age) or their associates had any other beneficial interests in the shares of the Company or any of its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

As at 31st December 2006, save as disclosed under the section "Directors' and Chief Executives' interests in shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, no other person had registered any substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

Connected Transactions

During the year, the maximum amount of advances due to a wholly owned subsidiary of Kwan Wing was approximately HK\$18,000 (2005: HK\$29.7 million).

The balance due to the above-mentioned fellow subsidiary is unsecured, bears interest at Hong Kong dollar prime lending rate plus 2.5% per annum and has no fixed terms of repayment. There was no interest payable to the fellow subsidiary for the year ended 31st December 2006 (2005: interest of HK\$517,000).

The directors, including the independent non-executive directors, of the Company are of the opinion and have confirmed to the Company that the above connected transaction was carried out in the ordinary and normal course of business of the Group.

Related Party Transactions

Transactions carried out with related parties are set out in note 31 to the financial statements.

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Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's by-laws and there was no restriction against such rights under the laws of the Cayman Islands.

Purchase, Sale or Redemption of the Listed Shares of the Company

During the year ended 31st December 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Subsequent Event

The Group has no significant post balance sheet event. As announced by the Company on 20th March 2007, the Company entered into a Subscription Agreement with Speedy Swift Investments Limited. Pursuant to the agreement, the Company had issued and allot 500,000,000 new shares at HK\$0.07 per share together with 1,900,000,000 warrants. Each warrant confers the holder the right to subscribe for one new share of the Company at the exercise price of HK\$0.10.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this annual report under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dong Ping
Chairman

Hong Kong, 23rd April 2007