ANNUAL REPORT 07

TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code:2383

CONTENTS

OUTLOOK

TOM Group will focus on the twin pillars of a culture of innovation and ongoing operational excellence as the basis of its development strategy.

By putting innovation at the heart of everything it does and leveraging the core strengths of its various businesses, the Group will continue to explore new business opportunities wherever traditional and new media can meet to deliver value for the shareholders.

CORPORATE PROFILE

TOM GROUP LIMITED (stock code: 2383) is listed on the Main Board of the Stock Exchange of Hong Kong. A leading Chinese-language media conglomerate in Greater China, TOM Group has diverse business interests in Internet (TOM Online), Outdoor Media (TOM Outdoor Media Group), Publishing, Television & Entertainment across markets in Mainland China, Taiwan and Hong Kong. In each of the areas it operates, TOM Group has secured market leadership.

The Group was founded in October 1999 as a joint venture between Hutchison Whampoa, Cheung Kong (Holdings) Limited, and other strategic investors. Headquartered in Hong Kong, the Group has regional headquarters in Beijing, Shanghai and Taipei with over 4,000 employees in more than 20 cities.

INTERNET

TOM Online Inc. ("TOM Online") is the largest wireless Internet value-added services provider in China, targeting the young, trendy and technology-savvy demographic. Building on the core strengths of wireless Internet business and by integrating its products and services, TOM Online is working towards a differentiated platform to introduce seamless online-to-mobile user experience.

To capitalise on the increasing trend towards social networking websites, TOM Online's Internet portal unveiled a new user interface in early 2008. With the widgetisation and modulation of the portal, it is well positioned to become a more application and tool centric integrative and interactive platform to meet the needs of various consumer segments. Together with its local and multinational partners, TOM Online will continue to bring in and develop innovative products and services through the open platform.

TOM Eachnet, a new e-commerce platform in China launched during the year, has a simpler and more user-friendly interface. New functions and services including search engine and virtual goods like pre-paid mobile cards were well received. The standalone platform provides a substantial and sustainable online marketplace for buyers and sellers in Mainland China with online commerce services tailored for the domestic market.

TOM-Skype, a leading online communications service developed for the Chinese market, owns the world's largest user base among Skype communities. More localised services will be launched leveraging these resources.

Following its successful privatisation, TOM Online will explore further digital opportunities with traditional media with a view to strengthening the Group's media platform.

PUBLISHING

TOM Group has a well-established publishing platform in Greater China. During the year, the Group published nearly 50 magazines and printed more than 20 million copies over the year. It also launched more than 2,000 new book titles, as part of a total catalogue of more than 15,000 titles. Over 13 million book copies were printed.

TOM Group owns the largest book and magazine publisher in Taiwan, Cite Publishing. To further extend its publishing platform, the Group has strengthened its presence in the China market, where it has a number of publications, including *DG Best, International Wrist Watch, MOOK* and *Chiru (Zhang Ling Yang)*. In Hong Kong, the flagship *CUP* is the magazine of choice among sophisticates.

Gearing up for the synergetic expansion of traditional publishing business onto digital platform, TOM Group continues to develop social networking services in Greater China leveraging the Pixnet platform, a leading social networking website in Taiwan. Pixnet not only acts as a pre-marketing and pre-research platform for new books, but has also produced online social networking channels for magazines launched by the Group.

OUTDOOR MEDIA

TOM Outdoor Media Group ("OMG") is a leading outdoor advertising operator in China with over 340,000 square metres of media asset space. OMG has an advertising presence in more than 60 major cities in Mainland China. Together with the 16 subsidiaries established in Beijing, Shanghai, Guangzhou and other major cities, OMG provides professional one-stop media solution nationwide to local and multinational corporations.

OMG operates a nationwide billboard and unipole network that commands leadership in the region. Building on the extensive media network, OMG has successfully diversified its asset portfolio to include several categories of outdoor assets in first-tier and leading second-tier cities. Securing the Chongqing Metro advertising rights during the year marked a significant milestone for OMG's expansion into the metro media assets.

As an award winning company, OMG received numerous awards in the Mainland during the year including "Most Influential Advertising Company of Brand Building in China 2007", and was counted among the "Top 10 media institutions 2007 with innovative competitiveness" and the "Top 10 outdoor media suppliers".

TV & ENTERTAINMENT

China Entertainment Television ("CETV") is a leading 24-hour Putonghua general entertainment channel providing the latest Asian and international entertainment programming, bringing pioneering and innovative original productions to Mainland China audiences.

CETV was the first foreign satellite television channel granted landing rights into the cable systems of Guangdong, and also has secured nationwide distribution via the Central Platform, covering hotels and foreign apartment compounds. The channel is broadcast in China and Asia Pacific via the AsiaSat 3S and Apstar 6. Always with an eye for the latest entertainment trend, CETV will continue to introduce new TV trends from overseas to Mainland China together with international counterparts, leading the way in China's TV sector.

Yangcheng, an integrated communications business under the Television & Entertainment Group, is also a preferred professional agency for international brands in Mainland China. The company is mainly engaged in cross-selling related Group products, media planning and buying, as well as providing tailor-made PR and marketing campaigns and event management for customers. It has already extended its presence to third-tier and fourth-tier cities across China.

Going forward, Television & Entertainment Group will broaden its services to include more sponsored programmes and marketing event productions while capturing the new media opportunities.

CORPORATE INFORMATION

Board of Directors

Chairman
Frank John Sixt

Deputy Chairman
Wang Lei Lei

Executive Directors
Yeung Kwok Mung
Mak Soek Fun, Angela

Non-executive Directors
Chang Pui Vee, Debbie
Chow Woo Mo Fong, Susan
Ip Tak Chuen, Edmond
Lee Pui Ling, Angelina
Tong Mei Kuen, Tommei

Independent Non-executive Directors
Cheong Ying Chew, Henry
Wu Hung Yuk, Anna
James Sha

Alternate Director
Francis Anthony Meehan
(Alternate to each of Frank John Sixt, Chang Pui Vee, Debbie, Chow Woo Mo Fong, Susan and Ip Tak Chuen, Edmond)

Company Secretary
Mak Soek Fun, Angela

Qualified Accountant
Wong Hong Kit

Audit Committee
Cheong Ying Chew, Henry
(Committee Chairman)
Wu Hung Yuk, Anna
James Sha
Lee Pui Ling, Angelina

Remuneration Committee
Frank John Sixt
(Committee Chairman)
Chow Woo Mo Fong, Susan
(Alternate to Frank John Sixt)
Cheong Ying Chew, Henry
Wu Hung Yuk, Anna

Authorised Representatives
Yeung Kwok Mung
Mak Soek Fun, Angela

Auditors
PricewaterhouseCoopers

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Grand Cayman
Cayman Islands
British West Indies

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Central
Hong Kong
Tel: 852 2121 7838
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Share Registrars
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Rooms 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
DBS Bank Limited

Website Address
www.tomgroup.com

Stock Code
2383

FINANCIAL HIGHLIGHTS

For the year ended 31 December

In HKD Thousands	2007	2006 (As restated)^	2005	2004 (As restated)#	2003 (As restated)#
Results					
Turnover					
Internet	**1,085,460**	1,370,862	1,370,738	988,999	592,443
Publishing	**947,544**	948,063	1,034,859	909,653	771,441
Outdoor Media	**440,178**	391,166	412,280	369,287	297,966
Sports	**–**	–	208,487	295,275	251,535
Television & Entertainment	**209,433**	88,573	78,953	32,031	175,849
	2,682,615	2,798,664	3,105,317	2,595,245	2,089,234
EBITDA*	**147,566**	407,337	414,752	283,882	258,936
Operating (loss)/profit before net gain on deemed disposals of interests in subsidiaries	**(92,080)**	307,306	335,114	(19,960)	83,834
(Loss)/Profit attributable to shareholders	**(297,371)**	31,961	259,526	773,448	5,756
Balance Sheet					
Total assets	**8,768,438**	8,290,723	7,790,270	7,872,941	5,231,043
Total liabilities and minority interests	**5,957,832**	5,362,966	4,900,484	5,246,009	3,435,523
Shareholders' funds	**2,810,606**	2,927,757	2,889,786	2,626,932	1,795,520

^ In 2007, the Group had discontinued the Sports Group operations such that the consolidated financial data for 2006 had been restated accordingly.

In 2005, the Group adopted new and revised HKFRS such that the consolidated financial data for 2003 and 2004 had been restated accordingly.

* EBITDA refers to earnings before interest, taxation, depreciation, amortisation, other non-cash activitives and one-time expenses. For the year ended 31 December 2007, EBITDA was derived by excluding one-time expenses and non-cash provisions, totalling HK$163,697,000. For the year ended 31 December 2006, EBITDA was derived by excluding one-time expenses and non-cash provisions less net gain on deemed disposals of interests in subsidiaries, totalling HK$11,443,000. For the year ended 31 December 2005, EBITDA was derived by excluding net gain on deemed disposals of interests in subsidiaries less one-time expenses and non-cash provisions totalling HK$153,064,000 (2004: HK$717,745,000).

CHAIRMAN's STATEMENT

Intense competition continued for TOM Group in 2007, in particular the Internet business, which was impacted by adverse regulatory developments. Group revenues for the year were HK$2,683 million, a decline of 4.2% over last year. Loss attributable to shareholders was HK$297 million. Loss per share from continuing operations was HK7.41 cents. During the year, the Group continued its focused effort to consolidate its businesses and cost control measures were effectively employed to improve operational efficiency. Excluding the goodwill impairment of HK$164 million relating to Internet and Television & Entertainment businesses and the share of TOM Eachnet's loss of HK$104 million, the operating profit was HK$176 million.

The privatisation of TOM Online was approved by a majority of votes by shareholders in the Court Meeting and EGM on 10 August 2007. Revenues of the Internet Group were HK$1,085 million versus HK$1,371 million last year. TOM Online's wireless business was seriously impacted by the changes in regulatory and related mobile operator policies pertaining to wireless value added services businesses. As such, a goodwill impairment of HK$127 million was made during the year. Segment profit for the year was HK$107 million versus HK$302 million last year and segment profit margin was 9.8%.

Revenues of the Publishing Group were HK$948 million, a drop of 0.3% from last year. Segment profit was HK$92 million while last year's was HK$99 million. Excluding the disposal gain of HK$15 million from the disposal of *Yazhou Zhoukan* in 2006, segment profit increased by 9.5% and the segment profit margin improved from last year's 8.8% to 9.7%.

The Outdoor Media Group reported revenues of HK$440 million, an increase of 12.5% compared to HK$391 million last year. Segment profit showed a significant increase of 118.8% to HK$15 million versus last year's HK$7 million. Segment profit margin was 3.4% versus last year's 1.7%. The Outdoor Media Group will continue to diversify its assets portfolio to include several categories of outdoor assets in the first-tier and leading second-tier cities in Mainland China.

Revenues of the Television & Entertainment Group grew by 124.7% to HK$211 million. The performance of the group showed a marked improvement in further reducing segment loss by 80.5% to HK$10 million versus last year's HK$50 million. Excluding the segment profit from Yangcheng, segment loss of the Television & Entertainment Group reduced by 74.3% to HK$13 million. During the year, CETV achieved EBIT breakeven in the fourth quarter and EBITDA breakeven in 2007. CETV has broadened revenue streams and will continue to enhance content production capability.

I wish to announce the resignation of Ms. Tommei Tong from her role as CEO of TOM Group as she will be spending more time at home to take care of her family. On behalf of the Board, I would like to express my gratitude to Tommei for her contribution to the Group during her tenure and extend our warmest regards to her future. Tommei will remain as a non-executive director of TOM Group. The role of the CEO will be taken up by Mr. Ken Yeung, who joined TOM Group as COO earlier this year. The executive transition has been very smooth. I believe that under the leadership of Ken, TOM Group will strive towards operational excellence capitalising on the Group's diversified media platform. I am also pleased to announce that Mr. Wang Lei Lei has been appointed as the Deputy Chairman of TOM Group.

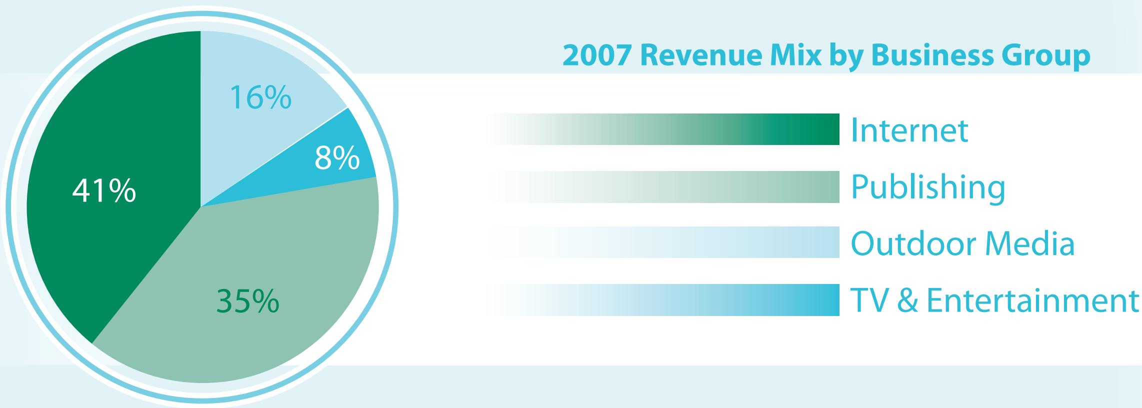
Last but not least, I would like to take this opportunity to thank the management and staff for their concerted efforts during these challenging times. TOM Group will focus on financial and operating discipline and improve performance across our business divisions and we expect to make continued progress in 2008.

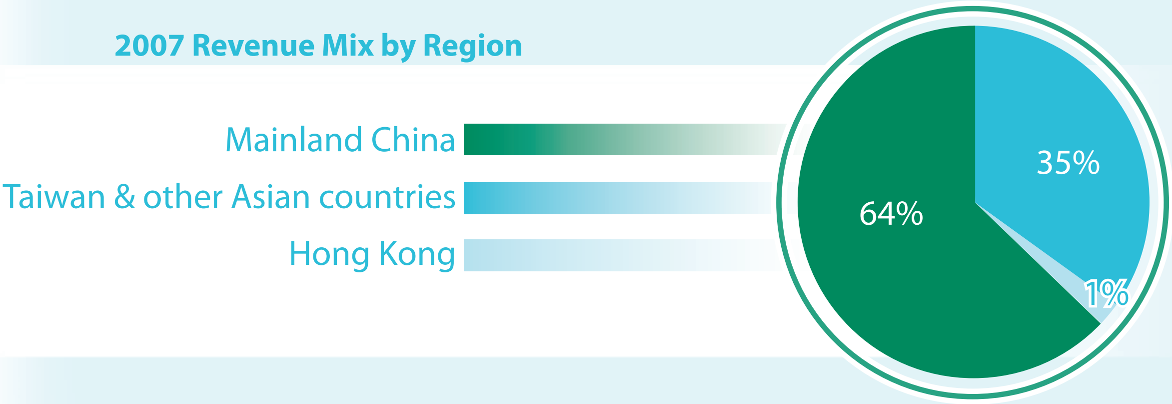
Frank John Sixt
Chairman
Hong Kong, 26 March 2008

MANAGEMENT's DISCUSSION AND ANALYSIS

Operation review

Group revenues amounted to HK$2,683 million, compared with HK$2,799 million in 2006. Net loss attributable to shareholders was HK$297 million (including a share of Eachnet's loss of HK$104 million and impairment of goodwill of the Internet and Television & Entertainment businesses, totalling HK$164 million), versus profit attributable to shareholders of HK$32 million reported in 2006 (including a deemed disposal net gain of HK$25 million). Loss per share from continuing operations was HK7.41 cents versus basic earnings per share of HK1.67 cents last year.





In 2007, despite a tough operating environment, we continued to consolidate our businesses. In that connection, TOM Online was privatised during the year to further enhance flexibility in creating synergy with the other business segments across the Group. In addition, we have taken measures to clean up under-performing assets, such as completing the disposal of Indiagames and China Open, and closing down of certain loss-making publishers.

Despite the effects of adverse regulatory developments, which necessitated a one-off impairment provision for our Internet and Television & Entertainment businesses on a conservative basis, we have maintained a high level of operational efficiency and shown capability to respond promptly to capture market opportunities with the launch of various new products and services. This was compensated, during the year, by growth in the traditional media businesses. Our continued efforts to consolidate our businesses resulted in efficiency gains of a 11.9% increase in revenues from the traditional media business and notable profit growth of 74.3% in these segments.

With a more healthy and stabilised platform, we anxiously embrace various key business opportunities that may present themselves to our business which will ignite our growth momentum in the near future. Our wireless VAS business continues to maintain a leading position in the huge and growing mobile user population in the PRC. Despite the tightening of regulatory policies, armed with the upcoming launch of 3G and the Olympics in the PRC, we anticipate an increase in market demand for our high quality wireless services. To capitalise on the increasing trend towards social networking websites, in early 2008, we launched a new user interface for our portal. With the widgetisation and modulation of our portal, it is now well positioned to become a more application and tool centric integrative and interactive platform and will envisage to offer more choices in the services and products to our users which serves to boost user stickiness and traffic. Our efforts in the launch of TOM Eachnet's new platform in July 2007 paid off, in recent months we saw a spectacular improvement in major KPIs. With the anticipation of the long awaited upcoming economic boom in Taiwan, Pixnet, our Taiwan print media's social networking platform is geared towards further strengthening its synergies with the traditional print business. Outdoor Media Group has taken proactive steps to diversify its asset mix, such as securing metro project in Chongqing and taxi shelter stands in Shenzhen. Despite fierce competition, CETV has attained EBIT breakeven position in Q4 2007 and EBITDA breakeven in 2007 through diversification of income streams, mainly from branded programme and event production.

During the year, the Group focused on cost structure improvement and margin expansion which successfully resulted in the reduction in our headquarter expenses by about 13%. We will continue our efforts to enhance corporate expense optimisation and strive towards further growth in the forthcoming year.

Armed with a fresh and healthy platform, we are in a ready and set position to spur forward towards an exciting Olympian year of growth.

INTERNET

The Internet Group reported gross revenues of HK$1,085 million, a drop of 20.8% compared with last year's HK$1,371 million. Segment profit for the year dropped by 64.6% to HK$107 million compared with last year's HK$302 million. Segment profit margin was 9.8% versus last year's 22%.

Revenues from TOM Online made up 97.5% of the total. Total wireless revenues dropped by 22.8% to HK$919 million versus last year's HK$1,191 million and accounted for 86.9% of TOM Online's total revenues versus last year's of 88.6%. Online advertising revenues dropped by 21.2% to HK$82 million compared with last year's HK$104 million, and made up about 7.8% of TOM Online's total revenues.

In May 2007, China Mobile introduced a new practice of sending fee reminders to its WAP service users when they request downloads of WAP pages onto their mobile handsets and seeking their confirmation before such download requests are processed. Commencing from May 2007, China Mobile also started to promote only its own wireless value-added service products in its embedded menus in its handsets, and did not include TOM Online or those of any other third-party value-added service providers. Furthermore, regulations on interactive TV programmes were tightened during the second half of 2007. These policies had a significant adverse impact on TOM Online's wireless Internet business in 2007. An impairment of goodwill by approximately HK$127 million was made for the wireless Internet business.

Despite these new measures having adversely impacted TOM Online in 2007, TOM Online maintained a healthy working relationship with China Mobile and our wireless business has shown great resilience in that it retained its leading position in the wireless VAS market in the IVR and SMS product offering, and we have good reasons to believe that in the longer term, there remains good opportunities for the continued growth in our wireless Internet businesses. With a huge and growing mobile user population in China, and riding on the launch of 3G and the Olympics in 2008, we believe that there will be a tremendous demand for quality wireless value-added services which present excellent prospects for TOM Online.

From 1 February 2007, TOM Online recognised its share of losses from the TOM Eachnet JV based on the equity method of accounting. Its 51% share of losses from the TOM Eachnet JV in 2007 amounted to approximately HK$104 million and was included in the share of loss on equity investment in a joint venture in the audited consolidated profit and loss account.

On 12 July 2007, TOM Eachnet (www.eachnet.com) launched a new e-commerce platform in China. It is now a standalone platform with a more simplified and user-friendly interface that provides a substantial and sustainable online market place for buyers and sellers in Mainland China with online commerce services tailored for the domestic market. It is now much more responsive to users' requests and functionality updates, with new functions being added from time to time. The new services were well received which saw rapid growth in traffic and transaction volumes. Further differentiated new products are expected to be launched on TOM Eachnet to gain further market share in the PRC.

TOM-Skype owns the world's largest user base in its category. At the end of February 2008, TOM-Skype registered users were close to 63 million, up from about 31 million and 51 million at the end of December 2006 and July 2007, respectively. With such a massive user base, initiatives will be launched in the near future to leverage on such a valuable asset to further exploit existing and new products and services within the Group.

To capitalise on the increasing trend towards social networking websites, in early 2008, we launched a new user interface for our portal. With the widgetisation and modulation of our portal, it is now well positioned to become a more application and tool centric integrative and interactive platform and will envisage to offer more choices in the services and products to our users which serves to boost user stickiness and traffic. To this end, we have 1) launched a new home page with a personalisation function; 2) introduced user-generated content with more interactivity functions; and 3) launched a new TOM portal universal log-in system which enables seamless integration of different services/offerings (VoIP and online shopping) which makes our offerings more integral in terms of cross-channel (sports, music and entertainment) and cross-platform (Skype, portal and mobile). Such an augmented redesign is expected to be able to strengthen synergies across different businesses in TOM Online as well as other businesses within TOM Group.

PUBLISHING

The Publishing Group reported gross revenues of HK$948 million, a drop of 0.3% versus last year's HK$951 million. Segment profit dropped by 7.0% to HK$92 million, compared with last year's HK$99 million, which included the one-off gain of HK$15 million from the disposal of *Yazhou Zhoukan* in 2006. Excluding such gains, the segment profit increased by 9.5% and the profit margin improved from last year's 8.8% to 9.7%.

Advertising revenues made up 34% of the Publishing Group's total revenues compared with last year's 33%, magazine sales made up 25%, flat compared with last year, while book sales accounted for 37% compared with last year's 39%. Revenue from Taiwan accounted for 97.7% of the total revenues, with the rest generated from Mainland China and Hong Kong.

The performance of Taiwan Publishing remained steady despite the competitive operating environment in which it operates and a one-off negative impact from the restructuring activities of a Taiwan chain store book retailer which resulted in the lowering of the EBITDA and segment profit of Taiwan Publishing by about HK$17 million. The Taiwan magazine business continued to perform well in the year. Advertising revenues from Taiwan magazines maintained steady growth in the current year. The percentage of advertisement pages to total pages printed increased by around 10%. Magazine circulation volume increased about 10% over last year. In first half of 2007, *Mom Baby*, a magazine published by Nong Nong, was awarded by AC Nielsen as the most popular magazine for females in the 25 to 34 age group, and *Citta Bella* became one of the top two fashion magazines in Taiwan. Two news stories reported by *Business Weekly* received the *SCOOP Award* and *Excellence in Reporting Breaking News Award* from The Society of Publishers in Asia. In second half of 2007, *Mysterious Disappearance – Rukai Tribe in Poetry and Essay*, a book published by Rye Field received the *2007 Golden Tripod Awards – The Best Literature and Language Award* and *Feathers of Birds in Taiwan*, a book published by Business Weekly Publications, was awarded the *2007 Golden Tripod Awards – The Best Reference Tool Award* and *the Best Art Editor Award*. Issue no. 1018 of *Business Weekly* received the *Cross-Straits Journalism Award* from Mainland Affairs Council.

As a result of the continuous effort in business consolidation and effective control over selection of the publication of books, the profitability of Taiwan Publishing improved.

Pixnet, (www.pixnet.net) a leading social networking website in Taiwan which was acquired by the group in February 2007, has been performing well. Since its acquisition, Pixnet's ranking in terms of traffic in Taiwan went up from 59th in January 2007 to recently 20th in February 2008 amongst the social networking websites. In addition to increasing traffic, Pixnet has begun to generate advertising revenue. Pixnet acts as a pre-marketing and pre-research platform for new books launched by the group and also produces online social networking channels for magazines within the group. Further initiatives will be implemented in the near future so as to induce additional synergies with the print business.

Performance of the five magazines launched in Mainland China by Taiwan operations showed healthy progress albeit still in the investment stage. The number of subscribers increased more than a double for the current year; circulation revenues increased by about 21% to HK$2.8 million. The total number of pages of advertisements increased 35% over the previous year and the percentage of advertisement pages to total pages printed increased by 7%. According to the market research in *The Report of Chinese Press's Advertising Value* carried out by Century Chinese International Media Consultation Limited in the second half of 2007, *DG Best* ranked no. 1 in respect of both market share and average circulation of digital related magazine. The overall market share of *DG Best* was over 20%. The coverage of *DG Best* was also 12.7% higher than the average of its competitors.

As at 31 December 2007, the Publishing Group has a portfolio of around 50 magazine titles and around 40 book publishing brands. The group operated four bookstores in Taiwan and one in Hong Kong during the year. Looking forward, the group will continue to improve its operating efficiency and profitability with further rationalisation of resources employed all geared towards a bigger growth in the years ahead.

OUTDOOR MEDIA

Gross revenues of the Outdoor Media Group ("OMG") were HK$440 million, a growth of 12.5% compared with last year's HK$391 million. Segment profit of the group grew by 118.8% to HK$15 million versus last year's HK$7 million. Segment profit margin was 3.4%, two-folds of last year's 1.7%.

Total media asset space of OMG amounted to over 341,000 square metres. Of the total media asset space, self-owned/leased assets made up about 88% of total assets, and the remainder being media buying. Billboards and unipoles made up 74% of the total media assets, street furniture and transportation advertisings made up 23% and the remaining 3% were other types of media. The occupancy rate of self-owned/leased assets was about 69%.

In 2007, revenues from self-owned/leased media made up 62% of the total, media buying made up 28%, with the remainder generated from professional services. Substantive efforts were made to upgrade the national sales network, ability to creatively exploit its diversified asset mix to develop total media solutions that add value to our various customers' marketing objectives and raise of average selling price have contributed to the growth in revenue and margin in this year. The average selling price of self-built/leased assets for 2007 increased 24.7% over last year whilst average selling price of billboard and unipole increased 31.7% versus last year.

During 2007, OMG initiated media asset diversification by venturing into the metro media arena in the PRC and has successfully secured advertising rights along the Chongqing Metro. This contract is expected to generate stable and satisfactory revenue for the group in the coming years. OMG plans to continue to explore similar metro projects opportunities in other cities within the PRC. During 2007, OMG further strengthened its street furniture media network by securing advertising rights in first-tier and second-tier cities, such as Shanghai, Shenzhen, Chongqing, Kunming and Shenyang. OMG owns the largest taxi shelter media asset network in Shenzhen.

In 2007, continued efforts by OMG to expand its nationwide diversified media asset network saw the group making investments in diversified asset mix of different higher margin categories in the first-tier cities as well as the leading second-tier cities, as well as remaining focused on billboard and unipole. Initiatives were also undertaken to strengthen the group's network sales by enhancing integration within subsidiaries. As at 31 December 2007, OMG operated 16 subsidiaries with an advertising presence over 60 cities throughout Mainland China.

TELEVISION & ENTERTAINMENT

Gross revenues of the Television & Entertainment Group grew by 124.7% to HK$211 million, compared with last year's HK$94 million. Starting from the fiscal year of 2007, results of Yangcheng ("YC"), previously a sports marketing company, are grouped under the Television & Entertainment Group. In the year of 2007, YC reported revenues of HK$100 million, as compared with HK$97 million in 2006. Excluding the revenues of YC, the Television & Entertainment Group posted a growth of 18.2% to HK$111 million in revenues compared with last year's HK$94 million. Segment loss for the Television & Entertainment Group was HK$10 million. Excluding YC's segment profit, segment loss of the Television & Entertainment Group improved by 74.3% to HK$13 million versus last year's HK$50 million. In particular, CETV achieved EBIT breakeven in Q4 2007 and EBITDA breakeven in 2007.

Advertising revenues made up 65.6% of the total revenues of CETV for the year, compared with last year's 76.5%; with the rest generated from new media, events and programme syndication. With ongoing efforts to diversify revenue streams, management has been successful in developing other stable income streams for CETV. Non-advertising revenues made up 34.4% of CETV's total revenues for the year 2007, as compared with last year's 20.3%. Such non-advertising revenues mainly derived from sponsored programmes and event productions, new media business and programme syndication. In particular, revenues from sponsored programme production and event management of CETV increased substantially over 160% versus last year. Leveraging on the broadcasting platform, CETV organised events and productions for certain large local clients such as Shenzhen Telecom and Guangdong Mobile as well as various international brands. Management believes it has built a successful and stable structure for this business upon which a healthy and satisfactory growth is expected in the coming years.

Always with an eye for the latest entertainment trend, CETV seized the opportunity to put out a shopping game show in Mainland China. In partnership with an overseas creative company (Bringiton), CETV produced a major nationwide shopping game series called *Big Time Spender*, the first foreign game show with local cultural elements co-produced by a local TV station with an international partner. Mainland audiences were able to enjoy a whole new viewing experience with *Big Time Spender* that saw shopping challenge fever sweeping across 12 major cities. With the increasing popularity of *Big Time Spender*, CETV is set to distribute the programme through various channels, such as online content or mobile phone content download, targeting Chinese markets in Asia and beyond. The programme is now broadcasted on ATV Digital Channel, in addition to CETV. CETV also syndicated its self-produced programmes to other TV channels throughout Mainland China, including Fujian Haixia Satellite TV, Guizhou Jingshi TV Station, Liaoning TV Station and Zhejiang Taizhou TV Station.

CETV remains a market leader in the demographic aged 15-24. During 2007, CETV ranked No. 4 and No. 6 in Guangzhou and Shenzhen, respectively. A TV drama called *Princess Hours II* achieved a market share in prime time of 5.0% and 5.5% in Guangzhou and Shenzhen, respectively. Another TV drama called *The Magician of Love* achieved a market share in prime time of 4.5% and 6.2% in Guangzhou and Shenzhen, respectively. It covered about 29 million households throughout Mainland China and Asia Pacific via AsiaSat 3S and Apstar 6. In 2007, CETV acquired new customers, such as China Telecom, Mengniu, Kingkey Property and Uni-President. It was awarded in the 2007 Global Brand Forum as *The Most Valuable Advertising TV Brand in China*.

CETV is a foreign satellite TV channel that has an in-depth understanding of the China market. It will continue to push the envelope, joining hands with international counterparts to introduce new TV trends from overseas to Mainland China and leading the way in China's TV sector.

In addition, a new TV interactive company was set up during 2007 under the Television & Entertainment Group to produce and distribute mobile interactive programming. This new TV interactive company owns an extensive video distribution network in China, covering major Internet video websites in the region. It will work closely with TOM Online and CETV to enhance content production and distribution capability of TOM Group. The new company will also work with other wireless service providers and television networks.

The restructuring of YC in the first half of 2006 saw the Company having successfully repositioned itself as an integrated marketing communication expert. In 2007, revenues of YC were mainly generated from event, PR promotion production services and media buying businesses. Leveraging on its expertise in integrated marketing communications, YC organised events for various international brands, including organising the pioneering "Nokia Experience Van", a nationwide marketing event for Nokia spanning around 200 cities throughout Mainland China. YC was successfully nominated as the "Preferred Event Agency of Nokia" in Mainland China in 2008. The Company also played a significant role in cross-selling relevant products from all of TOM Group's business groups, especially OMG and CETV.

MANAGEMENT's DISCUSSION AND ANALYSIS

Financial review

The TOM Group reports its results in four business segments namely Internet Group, Publishing Group, Outdoor Media Group as well as Television & Entertainment Group.

Revenue

The Group's revenue for the year ended 31 December 2007 amounted to HK$2,683 million, a decrease of 4.2% compared with the previous year of HK$2,799 million.

Segmental Results

The Internet Group reported gross revenues of HK$1,085 million compared to last year's HK$1,371 million. Segment profit was HK$107 million versus last year's HK$302 million. Segment profit margin for the year was 9.8% compared with last year's 22.0%.

Gross revenues of Publishing Group dropped by 0.3% to HK$948 million compared with last year's HK$951 million. Segment profit decreased by 7.0% to HK$92 million versus HK$99 million in 2006. Segment profit margin decreased from last year's 10.4% to 9.7%.

The Outdoor Media Group reported gross revenues of HK$440 million, a growth of 12.5% compared to last year's HK$391 million. Segment profit increased 118.8% to HK$15 million versus last year's HK$7 million; segment profit margin increased from last year's 1.7% to 3.4%.

Gross revenues of the Television & Entertainment Group grew by 124.7% to HK$211 million, versus last year's HK$94 million. Segment loss was HK$10 million, an improvement of 80.5% compared with last year's HK$50 million.

Operating Expenses

The operating expenses of the Group during the year under review decreased by 4.4% to HK$855 million as compared to HK$895 million in year 2006, as a result of the Group's ongoing cost control measures.

Operating Loss

The Group's operating loss for the year amounted to HK$92 million, compared with last year's operating profit of HK$332 million.

Loss Attributable to Shareholders

The Group's loss attributable to shareholders was HK$297 million, compared with a profit of HK$32 million in year 2006.

Liquidity and Financial Resources

As at 31 December 2007, TOM Group had bank and cash balances, including pledged deposits, of approximately HK$1,848 million and listed debt securities of approximately HK$1,559 million, of which bank balance and listed debt securities of approximately HK$20 million and HK$1,559 million, respectively were pledged to secure bank loan facilities of the Group. A total of HK$4,433 million financing facilities were available, of which HK$3,820 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 31 December 2007.

Total borrowings of TOM Group amounted to approximately HK$4,020 million as at 31 December 2007. This included convertible bonds of approximately HK$200 million, long-term bank loans of approximately HK$1,304 million and short-term bank and other loans of approximately HK$2,516 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 53% as at 31 December 2007, as compared to 40% as at 31 December 2006.

As at 31 December 2007, the Group had net current liabilities of approximately HK$233 million, as compared with net current assets of approximately

HK$864 million as at 31 December 2006. In March 2008, the Group has accepted an offer from a financial institution for a one-year loan facility of US$160 million (approximately HK$1,248 million) commencing April 2008. Basing on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future.

As at 31 December 2007, the current ratio of TOM Group was 0.95 compared to 1.43 as at 31 December 2006.

In year 2007, the Group generated net cash of HK$97 million from its operating activities, as compared to HK$480 million in the year 2006. Net cash used in investing activities was HK$991 million, which mainly included capital expenditures and acquisition of subsidiaries amounting to HK$1,769 million, partly offset by the interest income of HK$110 million, the proceed of HK$448 million from the sales/maturity of available-for-sale financial assets and the proceeds from disposal of interests in subsidiaries of HK$185 million. During the year, the net cash inflow from financing activities amounted to HK$1,104 million, included in which was the utilisation of bank loans, net of repayments, of HK$1,086 million. Such proceed was mainly used to finance the privatisation of TOM Online.

Charges on Group Assets

As at 31 December 2007, the Group had listed debt securities with a market value of approximately HK$1,559 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$1,416 million. In addition, bank deposits, cash and other assets with total net book value of approximately HK$21 million were pledged to banks for securing banking facilities granted to certain subsidiaries of the Group.

Foreign Exchange Exposure

In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimise currency risk.

Contingent Liabilities

As at 31 December 2007, the Group has no material contingent liabilities.

Employee Information

As at 31 December 2007, TOM Group had 4,011 full-time employees. Employee costs and stock option costs, excluding Directors' emoluments, totalled HK$551 million for the year (2006: HK$556 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the TOM Group's salary and bonus system, which is reviewed annually. A wide range of benefits including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the TOM Group. Social, sporting and recreational activities were arranged during the year for the employees on a Group-wide basis.

The Group also adopted a share option scheme under which, inter alia, the employees of the Group may be granted share options to subscribe for shares in the Company for the purposes of recognising the contributions made by the employees of the Group and retaining the services of the employees who will continue to make valuable contributions to the Group.

DIRECTORS' PROFILE

Frank John Sixt

aged 56, has been a Non-Executive Director and the Chairman of the Company since 15 December 1999. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited, a Non-Executive Director of Hutchison Telecommunications International Limited, and a Director of Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd. He is also the Group Finance Director of Hutchison Whampoa Limited, a Non-Executive Director of Cheung Kong (Holdings) Limited, and a Director of Easterhouse Limited, Hutchison International Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Li Ka-Shing Unity Trustee Corporation Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law of Society of the Provinces of Quebec and Ontario, Canada.

Wang Lei Lei

aged 34, was appointed as a Non-Executive Director of the Company on 9 December 2002. He has been re-designated as an Executive Director of the Company with effect from 1 September 2007 and appointed as the Deputy Chairman with effect from 26 March 2008. He is also a Director of TOM Online Inc. *(privatized on 3 September 2007)* in charge of the overall management since September 2003. Mr. Wang was appointed as a Director of Beijing Super Channel Network Limited ("Beijing Super Channel") in December 2002, a General Manager of Beijing Super Channel in November 2000, a Director of Shanghai Super Channel Network Limited in March 2003, a Director of Shenzhen Freenet Information Technology Company Limited in April 2001, an Executive Director of Beijing Lei Ting Wan Jun Network Technology Limited ("Beijing Lei Ting") in November 2000, and the Chairman of the Board of Directors and President of Beijing Lei Ting in August 2002. Mr. Wang joined the Company in August 1999 and was made Head of TOM's online operations in October 2001. Mr. Wang graduated in 1996 from the Electronic Engineering Department of Tsinghua University with a B.S. in Electronic Technology and Information.

Yeung Kwok Mung

aged 43, has been the Chief Executive Officer and an Executive Director of the Company since 26 March 2008. He is also the Chief Operating Officer of the Company since 1 February 2008. Prior to joining the Company, he was a director and chief executive officer of Horizons Ventures Limited and ChinaCare Investments Holdings Limited respectively, these companies are controlled by Ms. Chau Hoi Shuen and Cranwood Company Limited, the substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to that, Mr. Yeung worked at Mckinsey & Company, Inc. for over 6 years in Sydney, Melbourne and Hong Kong covering mainly the telecommunications, electronics and e-commerce industry sectors in the area of business strategy, business re-engineering and operational improvements. Mr. Yeung worked for Coca-Cola China Limited as Director of Strategy for Coca-Cola Greater China. He also held management positions in business development and sales & marketing at General Electric. He holds a Bachelor of Science degree in Electrical Engineering and a Master of Science degree in Electrical Engineering and Computer Science from Massachusetts Institute of Technology.

Mak Soek Fun, Angela

aged 43, has been an Executive Director of the Company since 16 March 2006 and the Chief Financial Officer of the Company since 1 February 2008. She has also been re-appointed as the Company Secretary of the Company with effect from 28 July 2007. Ms. Mak holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of New South Wales in Australia and has been admitted as a solicitor in New South Wales (Australia), England and Wales and Hong Kong. Prior to joining the Company, she was a senior group legal counsel of Hutchison Whampoa Limited.

Cheong Ying Chew, Henry

aged 60, has been an Independent Non-Executive Director of the Company since 21 January 2000. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is also an Independent Non-Executive Director of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, Cheung Kong Infrastructure Holdings Limited, Excel Technology International Holdings Limited, New World Department Store China Limited and SPG Land (Holdings) Limited, all being listed companies in Hong Kong, and FPP Golden Asia Fund Inc (formerly known as Jade Asia Pacific Fund Inc.), a company listed in Ireland.

Wu Hung Yuk, Anna

aged 57, has been an Independent Non-Executive Director of the Company since 25 August 2003. She is a qualified solicitor. She holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong. She was a Non-Executive Director of the Securities & Futures Commission up until end of 2004 and a Non-Executive Director of the Mandatory Provident Fund Schemes Authority up until mid March 2005. Previously she was the Chairperson of the Equal Opportunities Commission, Chairperson of the Operations Review Committee of the Independent Commission Against Corruption, Chairperson of the Consumer Council and a member of the Legislative Council.

James Sha

aged 57, was appointed as a Non-Executive Director of the Company on 12 May 2000. He has been re-designated as an Independent Non-Executive Director of the Company with effect from 4 August 2004. He has held senior positions with a number of large Internet-related companies. Since November 1999, he has been a Managing Partner with Spring Creek Ventures, a partnership specialising in early stage venture investment and business consultation with Internet and infrastructure companies. He is currently serving on the board of directors of several start-up companies. His board memberships include Appstream, Armorize, E21, LiveABC, Optoplex and Mediostream. He also served as the Chief Executive Officer for Sina.com. Prior to that, he was the Senior Vice President, Commerce Solutions, at Netscape Communications. He has also held senior positions with Actra Business Systems, Oracle's UNIX Product Division and the Advanced Systems Division of Wyse Technology. He holds a Master of Science degree in Electronic Engineering and Computer Science from the University of California, Berkeley, a Master of Business degree from Santa Clara University and a Bachelor of Science degree in Electronic Engineering from Taiwan University.

DIRECTORS' PROFILE

Chang Pui Vee, Debbie
aged 57, has been a Non-Executive Director of the Company since 5 October 1999. She holds a Bachelor of Arts degree from Hunter College, New York City. She has been directing business development in Mainland China for a number of years and is a Director of Orient Overseas Developments Ltd. and Beijing Oriental Plaza Company Ltd. Ms. Chang is a member of the People's Consultative Party of Beijing, Eastern City District.

Chow Woo Mo Fong, Susan
aged 54, has been a Non-Executive Director of the Company since 5 October 1999. She is an Executive Director of Cheung Kong Infrastructure Holdings Limited, Hutchison Harbour Ring Limited and Hongkong Electric Holdings Limited, and a Director of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd. She is also the Deputy Group Managing Director of Hutchison Whampoa Limited, and a Director of Hutchison International Limited and Easterhouse Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mrs. Chow is a solicitor and holds a Bachelor's degree in Business Administration.

Ip Tak Chuen, Edmond
aged 55, has been a Non-Executive Director of the Company since 15 October 1999. He is also a Deputy Managing Director of Cheung Kong (Holdings) Limited, and a Director of Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited, Sunnylink Enterprises Limited and Romefield Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also a Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Lee Pui Ling, Angelina
aged 59, was appointed as an Independent Non-Executive Director of the Company on 28 January 2000. She has been re-designated as a Non-Executive Director of the Company with effect from 4 August 2004. She is also a Non-Executive Director of Cheung Kong Infrastructure Holdings Limited and Henderson Land Development Company Limited, and an Independent Non-Executive Director of Great Eagle Holdings Limited. She was an Independent Non-Executive Director of Kerry Properties Limited up until end of September 2004. She is active in public service and is a Non-Executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-Executive Director of the Mandatory Provident Fund Management Board. She is a practising solicitor. She has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Tong Mei Kuen, Tommei

aged 43, was appointed as an Executive Director of the Company on 1 April 2003 and the Chief Executive Officer of the Company on 27 January 2006. Ms. Tong has resigned as the Chief Executive Officer of the Company and has been re-designated as a Non-Executive Director of the Company with effect from 26 March 2008. She served as the Chief Financial Officer and Chief Operating Officer of Ping An Insurance (Group) of China, Ltd. Prior to that, she was a partner of Arthur Andersen & Co. Ms. Tong graduated from the University of Hong Kong in 1986 with a Bachelor of Social Sciences Degree. She is also a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Francis Anthony Meehan

aged 37, has been an alternate Director to each of Mr. Frank John Sixt (Chairman), Ms. Chang Pui Vee, Debbie, Mrs. Chow Woo Mo Fong, Susan and Mr. Ip Tak Chuen, Edmond, all being Non-executive Directors of the Company, since 25 March 2008. He is also a Director and General Manager, Global Handset and Applications Group of Hutchison Whampoa Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, since March 2001. Prior to that, Mr. Meehan was a Director of Sales & Marketing for New Operators, Ericsson UK. He holds a Bachelor of Engineering (Mechanical).

CORPORATE GOVERNANCE REPORT

The Group is committed to high standards of corporate governance for the enhancement of shareholder value. The Company believes that good corporate governance is not only in the interest of investors but also in the interest of the Company. It is also of the view that good corporate governance is a reflection of the standard and quality of the management and operations of the Company and it also helps sustain the long-term support of shareholders on which the Company's success is dependent upon.

The Company closely monitors corporate governance development in Hong Kong and overseas, and with this objective, it regularly reviews its corporate governance practices in light of experience and evolving regulatory requirements to ensure that the Company keeps abreast of shareholders' expectations. The principles of corporate governance adopted by the Group emphasise a quality board, sound internal control, and transparency and accountability to shareholders.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2007.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2007.

Board of Directors

The principal duty of the board of directors of the Company ("Board") is to ensure that the Company is properly managed in the interest of shareholders.

The Board, led by the Chairman, is responsible for the formulation of Group wide strategies and policies, including an oversight of the management. Management is responsible for the day-to-day operations of the Group under the leadership of the Executive Directors.

As at 31 December 2007, the Board comprised 11 Directors, including the Chairman, Chief Executive Officer, 2 Executive Directors, 4 Non-Executive Directors and 3 Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 18 to 21.

For a Director to be considered independent, the Board must determine whether the Director has any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements as set out in the Listing Rules. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent.

The position of the Chairman and the Chief Executive Officer are held by separate individuals. The roles of the Chairman are separated from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that the Board acts in the best interest of the Company. To ensure that Board meetings are planned and conducted effectively, the Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. To this end, the Chairman holds meetings with the Non-executive Directors at least annually without the Executive Directors present. With the support of all other members of the Board, the Chairman procures that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with shareholders.

The Chief Executive Officer is responsible for managing the businesses of the entire Group, attending to the formulation and successful implementation of company policies and assuming full accountability to the Board for all Group operations. Acting as the principal navigator of the Group's businesses, the Chief Executive Officer attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Company. The Chief Executive Officer, in conjunction with senior management of each business unit, ensures that the Board is fully apprised of the funding requirements of the businesses of the Group and presents annual budgets to the Board. The Chief Executive Officer, with the assistance of the Chief Financial Officer, procures that the funding requirements of the businesses of the Group are met and closely monitors the operating and financial results against plans and budgets and takes remedial actions when necessary and advises the Board of significant development and issues. Moreover, the Chief Executive Officer maintains ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role. Furthermore, he also represents the Group in government bodies and professional and trade associations.

CORPORATE GOVERNANCE REPORT

The Board meets regularly, and at least 4 times a year. Between scheduled meetings, senior management of the Group from time to time provides to Directors information on the activities and development of the businesses of the Group. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

The Board held 5 regular meetings in 2007 with an average attendance rate of approximately 89%.

The attendance records of the Board meetings held in 2007 are set out below:

	Attended
Chairman	
Mr. Frank John Sixt	4/5
Executive Directors	
Ms. Tong Mei Kuen, Tommei *(Chief Executive Officer) (Note 1)*	5/5
Ms. Mak Soek Fun, Angela *(Chief Financial Officer) (Note 2)*	5/5
Mr. Wang Lei Lei *(Note 3)*	5/5
Non-executive Directors	
Ms. Chang Pui Vee, Debbie	5/5
Mrs. Chow Woo Mo Fong, Susan	5/5
Mr. Ip Tak Chuen, Edmond	4/5
Mrs. Lee Pui Ling, Angelina	5/5
Independent Non-executive Directors	
Mr. Cheong Ying Chew, Henry	5/5
Ms. Wu Hung Yuk, Anna	5/5
Mr. James Sha	1/5

Notes:

1. *Resigned as Chief Executive Officer and re-designated as Non-executive Director on 26 March 2008.*
2. *Appointed as Chief Financial Officer on 1 February 2008.*
3. *Re-designated as Executive Director on 1 September 2007 and appointed as Deputy Chairman on 26 March 2008.*

Apart from the regular Board meetings, a meeting between the Chairman and the Non-executive Directors and Independent Non-executive Directors without the presence of the Executive Directors was held in the third quarter of 2007.

Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of service with the Company for a term of 12-month period. The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the term. All the Non-executive Directors are subject to retirement by rotation at the annual general meeting at least once every three years and, being eligible, offer themselves for re-election.

Upon appointment, Directors receive a package of orientation materials and extensive review of the Company and its business from senior executives. Information and updates are provided to Directors regularly to ensure that Directors keep up with the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

With the assistance of the Finance Department which is under the supervision of the Chief Financial Officer, the Directors ensure the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 50.

Audit Committee

The Company has established the Audit Committee in January 2000. The Audit Committee consists of 3 Independent Non-executive Directors and 1 Non-executive Director. One of the Independent Non-executive Directors has the appropriate professional qualifications, accounting or related financial management expertise. The Audit Committee is chaired by Mr. Cheong Ying Chew, Henry and the other members include Ms. Wu Hung Yuk, Anna, Mr. James Sha and Mrs. Lee Pui Ling, Angelina.

The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditor, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. Terms of reference of the Audit Committee are available on the website of the Company.

The Audit Committee held 5 meetings in 2007 with an average attendance rate of 90%.

The attendance records of the Audit Committee meetings held in 2007 are set out below:

Name of Members	**Attended**
Mr. Cheong Ying Chew, Henry *(Chairman)*	5/5
Ms. Wu Hung Yuk, Anna	4/5
Mr. James Sha	5/5
Mrs. Lee Pui Ling, Angelina	4/5

For 2007, the Audit Committee reviewed with senior management and the Company's internal and/or external auditors, where applicable, their respective audit findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance, and internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended 31 December 2007 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Company and the annual report and accounts and interim report and accounts of the Company, discussed such annual report and audited accounts and interim report and accounts with management and the external auditor, and reviewed significant financial reporting judgments contained therein. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

(a) any changes in financial reporting and accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting.

The audited consolidated results of the Group for the year ended 31 December 2007 have been reviewed by the Audit Committee.

Auditor's Remuneration

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2007, the remunerations to the auditor of the Company were approximately HK$14,933,000 for audit services and HK$936,000 for non-audit services comprising tax and consultancy services.

Remuneration Committee

The Company has established a Remuneration Committee in March 2000. The Remuneration Committee consists of 2 Non-executive Directors (one is an alternate member) and 2 Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Frank John Sixt (his alternate, Mrs. Chow Woo Mo Fong, Susan) and the other members include Mr. Cheong Ying Chew, Henry and Ms. Wu Hung Yuk, Anna. Normally, the remuneration packages of Directors and senior management of the Group are approved by the written resolutions signed by all members of the Remuneration Committee at the end of each year. The Remuneration Committee will also meet as and when required to consider remuneration related matters.

The Remuneration Committee assists the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and also responsible for the administration of the share option schemes adopted by the Company. Terms of reference of the Remuneration Committee are available on the website of the Company.

Executive Directors, assisted by the Human Resources Department, are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of the individual and the profitability of the Group, and propose to the Remuneration Committee for consideration and approval, remuneration packages for Directors and senior management. Executive Directors, however, do not participate in determining their remuneration.

Consistent with the principles applied in the past, for the year ended 31 December 2007, the remuneration of Directors and senior management was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the year ended 31 December 2007 are set out in note 15 to the accounts.

Internal Control

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Group assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of risk management and control activities within the Group's business operations.

Investor Relations and Shareholders' Rights

The Company proactively promotes investor relations and communications by setting up regular meetings between our senior management and institutional shareholders and analysts. General presentations are also made when the financial results are announced.

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to despatching circular, notices, financial reports to shareholders, additional information is also available to shareholders on the website of the Company.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend the annual general meetings for which the Company gives at least 21 days' notice. The Chairman and Directors and external auditor are available to answer questions on the Group's businesses at the meeting.

Shareholders have statutory rights to call for extraordinary general meetings by serving written requisition to the Company and put forward agenda items for consideration by shareholders. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders that is despatched together with the annual report. The results of the poll are published on the Company's website. Financial and other information is available on the Company's website, which is updated regularly.

The Company values feedback from shareholders on its effort to promote transparencies and foster investor relationships. Comments and suggestions are welcome and can be addressed to our Investor Relations Manager by mail or by e-mail.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2007.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, jointly controlled entities and associated companies are set out on pages 153 to 159.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the accounts.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 51.

The Directors do not recommend the payment of a dividend.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 39 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 16 to the accounts.

Share capital and share options

Details of the movements in share capital and share options of the Company are set out in notes 37 and 38 to the accounts respectively.

Distributable reserves

Details of the distributable reserves of the Company as at 31 December 2007 are set out in note 39 to the accounts.

Directors

The Directors who held office during the year and up to the date of this report were:

Mr. Frank John Sixt * *(Chairman)*
Mr. Wang Lei Lei *(re-designated as executive Director on 1 September 2007 and appointed as Deputy Chairman on 26 March 2008)*
Mr. Yeung Kwok Mung *(appointed as Chief Executive Officer and executive Director on 26 March 2008)*
Ms. Mak Soek Fun, Angela
Mr. Cheong Ying Chew, Henry #
Ms. Wu Hung Yuk, Anna #
Mr. James Sha #
Ms. Chang Pui Vee, Debbie *
Mrs. Chow Woo Mo Fong, Susan *
Mr. Ip Tak Chuen, Edmond *
Mrs. Lee Pui Ling, Angelina *
Ms. Tong Mei Kuen, Tommei * *(re-designated as non-executive Director on 26 March 2008)*
Mr. Francis Anthony Meehan * *(alternate Director to each of Mr. Frank John Sixt, Ms. Chang Pui Vee, Debbie, Mrs. Chow Woo Mo Fong, Susan and Mr. Ip Tak Chuen, Edmond) (appointed on 25 March 2008)*

* *non-executive Directors*
\# *independent non-executive Directors*

In accordance with Article 99 of the Company's Articles of Association, Mr. Yeung Kwok Mung who has been appointed as an executive Director by the Board on 26 March 2008 will hold office until the forthcoming annual general meeting and being eligible, will offer himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Frank John Sixt, Ms. Chang Pui Vee, Debbie, Mrs. Chow Woo Mo Fong, Susan and Mr. Ip Tak Chuen, Edmond will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the non-executive Directors (including the independent non-executive Directors) has entered into a letter of service with the Company for a term of 12-month ("Term"). The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the Term. All the non-executive Directors are subject to retirement by rotation at the annual general meeting at least once every three years and, being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Confirmation of independence of independent non-executive Directors

The Company has received from each of Mr. Cheong Ying Chew, Henry, Ms. Wu Hung Yuk, Anna and Mr. James Sha an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent non-executive Directors to be independent.

Directors' profile

The Directors' profile is set out on pages 18 to 21.

Directors' emoluments

Details of the Directors' emoluments are set out in note 15 to the accounts.

Share Option Schemes

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 ("Pre-IPO Share Option Plan") and the employees share option scheme (as amended on 24 April 2002) ("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 share option scheme ("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) (the Pre-IPO Share Option Plan, the Old Option Scheme and the New Option Scheme collectively are referred to as the "Schemes").

Summary of the Schemes

(a) Purpose of the Schemes

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution made by the executive directors and the employees of the Company prior to the listing of shares of the Company on GEM.

The purpose of the Old Option Scheme and the New Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Old Option Scheme shall be an incentive to encourage the participants and to allow the participants to enjoy the results of the Company attained through their efforts and contribution.

(b) Participants of the Schemes

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employee 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 GEM on 1 March 2000.

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 option to subscribe for shares of the Company. However, participants do not include any substantial shareholder of the Company and/or any of its Associates. No further options may be granted under the Old Option Scheme upon its termination.

(c) Total number of shares available for issue under the Schemes

The total number of shares of the Company 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 in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the New Option Scheme (i.e., 388,941,336 shares of the Company, which represents approximately 10% of the issued share capital of Company as at 26 March 2008).

The maximum number of shares of the Company which may be issued upon exercise of outstanding options granted and yet to be exercised under the Schemes and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

(e) Time of exercise of options

Pursuant to the Pre-IPO Share Option Plan, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall be not less than 3 years and not more than 10 years from the date of grant of the option.

Pursuant to the Old Option Scheme and the New Option Scheme, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee provided that the period within which the options must be exercised shall not be more than 10 years from the date of grant of the option.

(f) Payment on acceptance of option

Pursuant to the Schemes, HK$5 is payable by the grantee to the Company on acceptance of the option within 28 days from the date of grant of the option.

(g) Basis of determining the subscription price

The subscription price per share under the Pre-IPO Share Option Plan is HK$1.78, being the price per share at which the shares are offered for subscription by the public at the initial public offer of shares of the Company.

The subscription price per share under the Old Option Scheme and the New Old Scheme shall be determined by the Board at its absolute discretion and notified to each participant and shall be no less than the higher of:–

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

(h) Remaining life of the Schemes

The Pre-IPO Share Option Plan and the Old Option Scheme have no remaining life as no further options may be granted but the provisions of the Pre-IPO Share Option Plan and the Old Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Pre-IPO Share Option Plan and the Old Option Scheme respectively may continue to be exercisable in accordance with their respective terms of issue.

The New Option Scheme will continue to be in full force and effect for a period of 10 years commencing on 23 July 2004 (save that the Company, by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Option Scheme). After termination, no further options will be granted but the provisions of the New Option Scheme shall in all other respects remain in full force and effect and the options which are granted during the life of the New Option Scheme may continue to be exercised in accordance with their terms of issue.

The other principal terms of the Pre-IPO Share Option Plan, the Old Option Scheme and the New Option Scheme are set out in the listing document of the Company dated 29 June 2004.

Outstanding share options

As at 31 December 2007, options to subscribe for an aggregate of 81,558,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 31 December 2007, options to subscribe for an aggregate of 16,196,000 shares of the Company were outstanding and these options relate to the options granted to certain employees of the Group at the date of grant. Details of which were as follows:

		Number of share options						
	Date of grant	Outstanding as at 1 January 2007	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Option Period	Subscription price per share of the Company *HK$*
Directors	11/2/2000	12,106,000	–	–	–	12,106,000 *(Note)*	11/2/2000 – 10/2/2010	1.78
Employees (including ex-employees)	11/2/2000	4,090,000	–	–	–	4,090,000 *(Note)*	11/2/2000 – 10/2/2010	1.78
	Total:	**16,196,000**	**–**	**–**	**–**	**16,196,000**		

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

(b) Old Option Scheme

As at 31 December 2007, options to subscribe for an aggregate of 65,362,000 shares of the Company which were granted to certain Directors and continuous contract employees of the Group were outstanding. Details of which were as follows:

		Number of share options							
	Date of grant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Option period	Subscription price per share of the Company *HK$*
Directors *(Note 1)*	15/11/2000	15,000,000	–	–	–	–	15,000,000	15/11/2000 – 14/11/2010	5.30
	9/10/2003	27,850,000	–	–	–	–	27,850,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees and a past Director)	23/3/2000	1,784,000	–	–	–	256,000	1,528,000 *(Note 2)*	23/3/2000 – 22/3/2010	11.30
	26/6/2000	674,000	–	–	–	166,000	508,000 *(Note 3)*	26/6/2000 – 25/6/2010	5.89
	30/6/2000	3,000,000	–	–	–	3,000,000	–	30/6/2000 – 29/6/2010	5.27
	8/8/2000	10,226,000	–	–	–	4,640,000	5,586,000 *(Note 4)*	8/8/2000 – 7/8/2010	5.30
	7/2/2002	20,000,000	–	–	–	20,000,000	–	7/2/2002 – 6/2/2012	3.76
	9/10/2003	62,114,000	–	–	–	52,224,000	9,890,000 *(Note 5)*	9/10/2003 – 8/10/2013	2.505
	16/2/2004	10,000,000	–	–	5,000,000	–	5,000,000 *(Note 6)*	16/2/2004 – 15/2/2014	2.55
	Total:	**150,648,000**	**–**	**–**	**5,000,000**	**80,286,000**	**65,362,000**		

Notes:

1. Details of the options granted to the Directors are set out in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" below.

2. The options have vested in two tranches in the proportion of 50%:50% on 23 March 2005 and 23 March 2006 respectively.

3. The options have vested in two tranches in the proportion of 50%:50% on 26 June 2005 and 26 June 2006 respectively.

4. The options have vested on (i) 8 August 2001 or (ii) 8 August 2001 and 8 August 2002.

5. (i) For certain grantees, all the options have vested on 10 October 2003.

   (ii) For certain grantees, the options have vested in two tranches. The first tranche of the options has vested on 10 October 2003 and the second tranche of the options has vested on the anniversary of their respective joining dates with the Group in 2004.

   (iii) For certain grantees, the options have vested in three to four tranches. The first tranche of the options has vested on 10 October 2003 and the remaining tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2004 and 2005 or 2004, 2005 and 2006 (as the case may be).

   (iv) For certain grantees, the options have vested in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on the anniversaries of their respective joining dates with the Group in 2004, the second and third tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2005 and 2006.

6. The options have vested in two tranches on 16 February 2005 and 16 February 2006 respectively.

(c) New Option Scheme

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

Valuation of share options

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

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

Share-based compensation cost, calculated by applying the above model and assumptions, charged to the condensed consolidated financial statement of the Company for the year ended 31 December 2007, before minority interests, was HK$13,692,000 (2006: HK$25,474,000).

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2007, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

(a) Long positions in shares of the Company

Name of Directors	Capacity	Number of shares of the Company: Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate percentage of shareholding
Tong Mei Kuen, Tommei	Beneficial owner	300,000	–	–	–	300,000	0.01%
Mak Soek Fun, Angela	Beneficial owner	44,000	–	–	–	44,000	Below 0.01%
Wang Lei Lei	Beneficial owner	300,000	–	–	–	300,000	0.01%

(b) Rights to acquire shares of the Company

Pursuant to the Pre-IPO Share Option Plan and/or the Old Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company. Details of which as at 31 December 2007 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 31 December 2007	Option period	Subscription price per share of the Company *HK$*
Tong Mei Kuen, Tommei	9/10/2003	15,000,000 *(Note 1)*	9/10/2003-8/10/2013	2.505
Mak Soek Fun, Angela	11/2/2000	3,026,000 *(Note 2)*	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 *(Note 3)*	9/10/2003-8/10/2013	2.505
Wang Lei Lei	11/2/2000	9,080,000 *(Note 2)*	11/2/2000-10/2/2010	1.78
	9/10/2003	6,850,000 *(Note 4)*	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 *(Note 5)*	15/11/2000-14/11/2010	5.30

Notes:

1. The options have vested in three tranches in the proportion of 1/3:1/3:1/3 on 17 March 2004, 17 March 2005 and 17 March 2006 respectively.

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

3. The options have vested in four tranches. The first tranche of 2,700,000 options and the second, third and fourth tranches of 1,100,000 options each have vested on 10 October 2003, 1 January 2004, 1 January 2005 and 1 January 2006 respectively.

4. The options have vested in four tranches. The first tranche of 850,000 options, the second, third and fourth tranches of 2,000,000 options each have vested on 10 October 2003, 1 February 2004, 1 February 2005 and 1 February 2006 respectively.

5. The options have vested in three tranches in the proportion of 20%:30%:50% on 15 November 2001, 15 November 2002 and 15 November 2003 respectively.

Save as disclosed above, during the year ended 31 December 2007, none of the Directors was granted options to subscribe for shares of the Company, nor had exercised such rights. No options granted to the above Directors was lapsed or cancelled during the year ended 31 December 2007.

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

Short positions in associated corporations

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

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of shareholders

As at 31 December 2007, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held		Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545(L)	*(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	Trustee & beneficiary of a trust	1,429,024,545(L)	*(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustcorp Limited *(as trustee of another discretionary trust)*	Trustee & beneficiary of a trust	1,429,024,545(L)	*(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	Trustee	1,429,024,545(L)	*(Notes 1 & 2)*	36.70%

Name	Capacity	No. of shares of the Company held		Approximate percentage of shareholding
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545(L)	*(Notes 1 & 2)*	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182(L)	*(Note 1)*	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182(L)	*(Note 1)*	12.23%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182(L)	*(Note 1)*	12.23%
Romefield Limited	Beneficial owner	476,341,182(L)	*(Note 1)*	12.23%
Hutchison Whampoa Limited	Interest of a controlled corporation	952,683,363(L)	*(Note 2)*	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363(L)	*(Note 2)*	24.47%
Easterhouse Limited	Beneficial owner	952,683,363(L)	*(Note 2)*	24.47%
Chau Hoi Shuen	Interest of controlled corporations	930,806,363 (L)	*(Note 3)*	23.91%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	930,806,363 (L)	*(Note 3)*	23.91%
Schumann International Limited	Beneficial owner	580,000,000(L)	*(Note 3)*	14.90%
Handel International Limited	Beneficial owner	348,000,000(L)	*(Note 3)*	8.94%

(L) denotes a long position

Notes:

(1) Romefield Limited is a wholly-owned subsidiary of Sunnylink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SFO, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

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

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

(2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SFO, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

(3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 2,806,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 2,806,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

Save as disclosed above, as at 31 December 2007, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Connected transactions

Significant related party transactions entered by the Group during the year ended 31 December 2007, which do not constitute connected transactions under the Listing Rules are disclosed in note 47 to the accounts.

(1) Connected transactions

On 9 March 2007, the Company requested the board of directors of TOM Online to put forward a proposal for privatisation of TOM Online by way of a scheme of arrangement ("Share Proposal") to the shareholders of TOM Online other than the Company, Cranwood Company Limited, Handel International Limited, Schumann International Limited and Devin Gem Management Limited at the cancellation price ("Cancellation Price") of HK$1.52 per Scheme Share (including Scheme Shares underlying ADSs). Goldman Sachs (Asia) L.L.C. also made, on behalf of the Company, a conditional offer to all the holders of the outstanding share options of TOM Online ("Option Proposal") at the Option Proposal Price (as defined in the scheme document dated 30 April 2007 of TOM Online (as amended and supplemented by the supplement dated 10 July 2007)).

As Romefield Limited and Easterhouse Limited, the substantial shareholders of the Company and certain directors of TOM Online held certain shares of TOM Online, the aggregate payment by the Company of the Cancellation Price to them pursuant to the Share Proposal constituted a connected transaction for the Company under the Listing Rules.

Furthermore, certain number of the outstanding share options of TOM Online granted under the Pre-IPO Share Option Plan and the Share Option Scheme of TOM Online were held by certain then directors of TOM Online. If any of these directors of TOM Online exercises any outstanding share option of TOM Online and becomes a shareholder of TOM Online, the payment by the Company of the Cancellation Price to any of them will constitute a connected transaction for the Company under the Listing Rules. Further, the acceptance by any of these directors of the Option Proposal and the payment by the Company of the Option Proposal Price to any of them also constituted a connected transaction for the Company under the Listing Rules.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Evolution Watterson Securities Limited, the independent financial adviser to the Independent Board Committee and the then independent shareholders of the Company, the independent non-executive Directors considered that the terms of the Option Proposal are fair and reasonable so far as the Company and its shareholders are concerned, and the transactions contemplated thereunder are in the interest of the Company and the sharesholders of the Company as a whole.

Details of the above transactions have been disclosed in the joint announcements dated 9 March 2007 and 30 March 2007 of the Company and TOM Online, the announcements dated 11 April 2007 and 25 April 2007 of the Company and the circular dated 11 April 2007 of the Company. Independent shareholders' approval for the above transactions has been obtained at the extraordinary general meeting of the Company held on 25 April 2007.

(2) Continuing connected transactions

As disclosed in the annual report of the Company for the year ended 31 December 2006, the Group has entered into the following continuing connected transactions as defined under the Listing Rules:

(a) On 8 September 2006, TOM International has entered into an advertising services agreement with Hutchison International Limited ("HIL", a wholly-owned subsidiary of HWL), under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the HIL Group at a fee to be calculated with reference to the then market rate for a term commencing from 1 January 2006 and expiring on 31 December 2008, subject to the annual caps of HK$23,000,000, HK$24,000,000 and HK$25,000,000 for the years 2006, 2007 and 2008 respectively. During the year, HK$14,004,000 has been paid by HIL Group to the Group for the aforesaid services.

(b) On 20 November 2006, TOM.COM (China) Investment Limited ("TOM (China)", a subsidiary of the Company) has entered into a tenancy agreement with Beijing Oriental Plaza Company Limited ("Beijing Oriental", an Associate of CKH) in respect of the lease by Beijing Oriental of Rooms 3, 4, 5, 6B & 7B, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza to TOM (China) with an area of approximately 1,012.19 square metre for a term of 3 years commencing from 15 December 2006 to 14 December 2009. The annual total amount of the rent and management fee payable by TOM (China) are subject to the annual caps of RMB1,830,040, RMB1,685,297 and RMB1,733,180 for the years 2007, 2008 and 2009 respectively. During the year, RMB1,830,040 has been paid by TOM (China) to Beijing Oriental.

(c) On 20 November 2006, Beijing Super Channel Network Limited ("BSCL", a subsidiary of the Company) has entered into a tenancy agreement with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 1-12, 8th Floor, Tower W3, The Towers, Beijing Oriental Plaza to BSCL with an area of approximately 3,074 square metre for a term of 3 years commencing from 15 December 2006 to 14 December 2009. The annual total amount of the rent and management fee payable by BSCL are subject to the annual caps of RMB5,557,792, RMB5,118,210 and RMB5,263,631 for the years 2007, 2008 and 2009 respectively. During the year, RMB5,557,792 has been paid by BSCL to Beijing Oriental.

(d) On 20 November 2006, Beijing Lei Ting Wu Ji Network Technology Company Limited ("LTWJi", a subsidiary of the Company) has entered into a tenancy agreement with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 7-8, 5th Floor, Tower W3, The Towers, Beijing Oriental Plaza to LTWJi with an area of approximately 656 square metre for a term of 3 years commencing from 15 December 2006 to 14 December 2009. The annual total amount of the rent and management fee payable by LTWJi are subject to the annual caps of RMB1,186,048, RMB1,092,240 and RMB1,123,274 for the years 2007, 2008 and 2009 respectively. During the year, RMB1,186,048 has been paid by LTWJi to Beijing Oriental.

(e) On 20 November 2006, TOM International Beijing Office has entered into a tenancy agreement with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 1, 2, 6A, 7A & 8, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza to TOM International Beijing Office with an area of approximately 1,299.81 square metre for a term of 3 years commencing from 15 December 2006 to 14 December 2009. The annual total amount of the rent and management fee payable by TOM International Beijing Office are subject to the annual caps of RMB2,350,057, RMB2,164,184 and RMB2,225,674 for the years 2007, 2008 and 2009 respectively. During the year, RMB2,350,057 has been paid by TOM International Beijing Office to Beijing Oriental.

During the year, the Group has entered into the following continuing connected transactions as defined under the Listing Rules:

(a) On 10 May 2007, TOM International has entered into a tenancy agreement with The Center (48) Limited ("The Center (48)", an Associate of CKH) in respect of the lease by TOM International of the entire 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong with gross floor area of approximately 25,563 square feet for a term of 33 months commencing from 1 April 2007 to 31 December 2009. The annual total amount of the rent and management fee payable by TOM International are subject to the annual caps of HK$7,924,896, HK$10,566,528 and HK$10,566,528 for the years 2007, 2008 and 2009 respectively. During the year, HK$7,924,896 has been paid by TOM International to The Center (48).

(b) On 10 May 2007, Guangdong Yangcheng Advertising Company Limited ("Yangcheng Advertising", a subsidiary of the Company) has entered into an advertising agency agreement with Guangdong Yangcheng Wanbao Advertising Company ("YCWB", an Associate of Yangcheng Evening News Economic Development Corporation ("YC Head Office"), which owns 20% of the equity interest in Yangcheng Advertising) for a term of 3 years commencing from 1 January 2007 to 31 December 2009. Pursuant to the aforesaid agreement, YCWB has agreed to appoint Yangcheng Advertising as its advertising agent in respect of the placing of advertisements in the newspaper known as "羊城晚報" (Yangcheng Evening News) ("Media Buying Arrangement"). Under the Media Buying Arrangement, YCWB will collect the advertising fees for advertisements placed in Yangcheng Evening News ("Advertising Payment") from Yangcheng Advertising which in turn will collect the Advertising Payment from its advertising customers. If the aggregate amount of the Advertising Payment reaches a certain pre-agreed amount, Yangcheng Advertising will be entitled to a rebate of certain percentage of the aggregate amount of the Advertising Payment to be agreed in separate agreements between the parties.

The annual caps for the Advertising Payment are HK$15,000,000, HK$20,000,000 and HK$22,000,000 for the years 2007, 2008 and 2009 respectively. During the year, the Advertising Payment paid by Yangcheng Advertising to YCWB amounted to HK$14,795,000.

The aforesaid continuing connected transactions ("Continuing Connected Transactions") have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also confirmed that the Continuing Connected Transactions (a) have received the approval of the board of directors of the Company; (b) on a sample basis, confirmed that these are in accordance with the pricing policies of the Group; (c) on a sample basis, confirmed that these have been entered into in accordance with the relevant agreements governing the transactions; and (d) have not exceeded their respective caps, or in the case of the property rental, the stipulated rent.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding Company 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' interests in competing business

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

Ms. Tong Mei Kuen, Tommei, who has been re-designated from an executive Director to a non-executive Director with effect from 26 March 2008, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited ("Qin Jia Yuan") whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Save as disclosed above, none of the Directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group during the year.

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.

Major customers and suppliers

During the year, the respective percentage of purchases attributable to the Group's five largest suppliers and the sales attributable to the Group's five largest customers, on a combined basis, was less than 30% of the total value of the Group's purchases and sales.

None of the Directors, their Associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Subsequent events

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 48 to the accounts.

Purchase, sale or redemption of securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Auditors

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

Public float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, approximately 39.37% of the issued share capital of the Company was held by the public.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 26 March 2008

INDEPENDENT AUDITOR's REPORT

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TOM GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated accounts of TOM Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 152, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated profit and loss account, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

INDEPENDENT AUDITOR's REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000 (As restated)
Continuing operations			
Turnover	4	**2,682,615**	2,798,664
Cost of sales		**(1,762,975)**	(1,699,321)
Interest income	4	**93,990**	108,812
Selling and marketing expenses		**(332,023)**	(322,671)
Administrative expenses		**(230,552)**	(250,537)
Other operating expenses		**(292,809)**	(321,384)
Gain on early redemption and buy-back of convertible bonds		**–**	20,669
Net gain on deemed disposals of interests in subsidiaries	6	**–**	24,601
Provision for impairment of goodwill and other assets	5	**(163,697)**	(36,044)
Share of losses of jointly controlled entities		**(104,303)**	(758)
Share of profits less losses of associated companies		**17,674**	9,876
Operating (loss)/profit	7	**(92,080)**	331,907
Finance costs	8	**(172,164)**	(145,070)
(Loss)/profit before taxation		**(264,244)**	186,837
Taxation	9	**(49,603)**	(33,137)
(Loss)/profit for the year from continuing operations		**(313,847)**	153,700
Discontinued operations			
Loss for the year from discontinued operations	10	**(9,047)**	(34,085)
(Loss)/profit for the year		**(322,894)**	119,615
Attributable to:			
Minority interests		**(25,523)**	87,654
Equity holders of the Company		**(297,371)**	31,961
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company during the year	13		
Basic		**HK(7.41) cents**	HK1.67 cents
Diluted		**HK(7.41) cents**	HK1.67 cents
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the year	13		
Basic		**HK(0.23) cents**	HK(0.85) cents
Diluted		**HK(0.23) cents**	HK(0.85) cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	16	**250,887**	302,314
Goodwill	17	**3,663,060**	2,719,455
Other intangible assets	18	**60,210**	104,316
Interests in jointly controlled entities	20	**(86,856)**	14,171
Interests in associated companies	21	**233,139**	231,093
Available-for-sale financial assets	23	**422,150**	1,986,388
Advance to investee companies	24	**2,145**	2,091
Deferred tax assets	36(a)	**54,099**	42,896
Other non-current assets	25	**15,804**	19,501
		4,614,638	5,422,225
Current assets			
Available-for-sale financial assets	23	**1,169,266**	–
Assets classified as held for sale	33	**–**	93,973
Inventories	26	**126,924**	130,068
Trade and other receivables	27	**1,009,038**	988,133
Restricted cash	28	**20,176**	37,546
Cash and cash equivalents	29	**1,828,396**	1,618,778
		4,153,800	2,868,498
Current liabilities			
Liabilities classified as held for sale	33	**–**	7,920
Trade and other payables	30	**1,147,564**	945,909
Taxation payable		**56,484**	56,858
Long-term bank loans – current portion	32(a)	**466,260**	265,786
Short-term bank and other loans	31	**2,515,998**	727,569
Convertible bonds	34	**200,138**	–
		4,386,444	2,004,042

	Note	2007 HK$'000	2006 HK$'000
Net current (liabilities)/assets		**(232,644)**	864,456
Total assets less current liabilities		**4,381,994**	6,286,681
Non-current liabilities			
Deferred tax liabilities	36(b)	**14,632**	11,617
Other non-current liabilities	32	**868,976**	1,953,286
		883,608	1,964,903
Net assets		**3,498,386**	4,321,778
EQUITY			
Share capital	37	**389,328**	389,328
Reserves	39	**2,427,522**	2,544,673
Own shares held	40	**(6,244)**	(6,244)
Shareholders' funds		**2,810,606**	2,927,757
Minority interests	41	**687,780**	1,394,021
Total equity		**3,498,386**	4,321,778

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**3,531,496**	2,356,499
Other non-current assets	25	**1,323**	3,980
		3,532,819	2,360,479
Current assets			
Other receivables	27	**15,649**	14,153
Cash and cash equivalents	29	**60,985**	3,195
		76,634	17,348
Current liabilities			
Other payables	30	**118,964**	54,822
Short-term bank loans	31	**1,730,480**	315,900
		1,849,444	370,722
Net current liabilities		**(1,772,810)**	(353,374)
Net assets		**1,760,009**	2,007,105
EQUITY			
Share capital	37	**389,328**	389,328
Reserves	39	**1,376,925**	1,624,021
Own shares held	40	**(6,244)**	(6,244)
Shareholders' funds		**1,760,009**	2,007,105

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Revaluation surplus on available-for-sale financial assets	**34,101**	7,293
Net actuarial gain/(loss) on defined benefit plans	**549**	(6,491)
Exchange translation differences	**180,923**	125,152
Net income recognised directly in equity	**215,573**	125,954
(Loss)/profit for the year	**(322,894)**	119,615
Total recognised income and expense for the year	**(107,321)**	245,569
Attributable to:		
Minority interests	**24,778**	132,875
Equity holders of the Company	**(132,099)**	112,694
	(107,321)	245,569

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash inflow from operations	43(a)	**346,585**	622,719
Interest paid		**(197,722)**	(111,303)
Overseas taxation paid		**(51,584)**	(31,539)
Net cash from operating activities		**97,279**	479,877
Cash flows from investing activities			
Interest received		**110,313**	119,073
Capital expenditure		**(93,252)**	(132,314)
Proceeds from sale of fixed assets		**2,393**	378
Proceeds from sale of intangible assets		**2,335**	–
Settlement of consideration payable for acquisition of subsidiaries in prior years		**(92,032)**	(214,727)
Acquisition of interests in subsidiaries	43(b)	**(1,583,121)**	(143,625)
Proceeds from deemed disposal of interests in subsidiaries		**–**	202,800
Disposal of subsidiaries/interests in subsidiaries	43(c)	**185,436**	(8,344)
Proceeds from disposal of/maturity of available-for-sale financial assets		**448,155**	79,049
Loans to investee companies		**–**	(179)
Acquisition of an associated company		**(509)**	–
Proceeds from capital reduction of available-for- sale financial assets		**3,231**	–
Dividends received		**25,793**	21,062
Reclassification of cash to assets held for sale	33	**–**	(23,049)
Net cash used in investing activities		**(991,258)**	(99,876)

	Note	2007 HK$'000	2006 HK$'000
Cash flows from financing activities			
New bank and other loans, net of financing costs	43(d)	**1,706,934**	1,431,211
Loan repayments	43(d)	**(621,166)**	(379,022)
Buy-back and early redemption of convertible bonds		**–**	(959,002)
Contribution from minority shareholders		**14,201**	58,705
Dividends paid to minority shareholders		**(13,742)**	(31,425)
Reduction of restricted cash	28	**17,370**	36,804
Net cash from financing activities		**1,103,597**	157,271
Increase in cash and cash equivalents		**209,618**	537,272
Cash and cash equivalents at 1 January		**1,618,778**	1,081,506
Cash and cash equivalents at 31 December		**1,828,396**	1,618,778
Cash and cash equivalents represent:			
Bank balances and cash	29	**1,828,396**	1,618,778

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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"). The consolidated accounts have been prepared under the historical cost convention except that, as set out in note (f) below, available-for-sale financial assets are stated at fair value, unless fair value cannot be reliably measured.

As at 31 December 2007, the Group had net current liabilities of approximately HK$233 million. In response to the current financial conditions, the Group has explored various means of obtaining additional financing. In March 2008, the Group has accepted an offer from a financial institution for a one-year loan facility of US$160 million (approximately HK$1,248 million) commencing April 2008. Basing on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the accounts have been prepared on a going concern basis.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 3.

(i) Standard, amendment and interpretations effective in 2007

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Standard, amendment and interpretations effective in 2007 (Continued)

HK(IFRIC) – Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

(ii) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments.

1 Principal accounting policies(Continued)

(a) Basis of preparation (Continued)

(ii) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

- HK(IFRIC) – Int 11, 'HKFRS 2, Group and treasury share transactions' (effective from accounting periods beginning on or after 1 March 2007). HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity–settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

(iii) Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but not relevant for the Group's operations:

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. HKAS 23 (Amendment) is not relevant to the Group's operations as there are no qualifying assets.

1 Principal accounting policies(Continued)

(a) Basis of preparation (Continued)

(iii) Amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations (Continued)

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provides public sector services.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operates loyalty programmes.

(iv) Interpretations effective in 2007 but not relevant for the Group's operations

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

- HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives'.

1 Principal accounting policies(Continued)

(b) Consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments 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) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1 Principal accounting policies (Continued)

(d) 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.

(e) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost.

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.

(f) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(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. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

1 Principal accounting policies (Continued)

(f) Financial assets (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.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets 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. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated profit and loss account as gains or losses from available-for-sale financial assets.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated profit and loss account.

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, are measured at cost less impairment.

1 Principal accounting policies (Continued)

(f) Financial assets (Continued)

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 as an indicator that 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 – is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account. Impairment testing of trade receivables is described in note (l).

(g) Fixed assets

Fixed assets are stated at historical 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, 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 charged in the consolidated profit and loss account during the financial period in which they are incurred.

1 Principal accounting policies (Continued)

(g) Fixed assets (Continued)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note (i)).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

(h) 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 acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in interests in jointly controlled entities and interests in associated companies, respectively and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arise.

(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 technology 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)

(h) 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%
Publishing rights	6% – 50%
Software, customer base and technical know-how	20% – 100%

Purchased programme and film rights are amortised on an individual basis based on the amount of revenues earned in proportion to management's estimate of the actual revenue in respect to the purchased programme and film rights.

(i) Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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. cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

1 Principal accounting policies (Continued)

(k) 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.

(l) 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 and other 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in other operating expenses in the profit and loss account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

(m) 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.

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution plans are expensed as incurred. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(i) Pension obligations (Continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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 arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the consolidated statement of recognised income and expense in the period in which they arise.

(ii) Share-based compensation

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.

1 Principal accounting policies (Continued)

(n) 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 borrowings 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 in shareholders' equity, net of income tax effects.

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 the balance sheet date.

(o) Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

1 Principal accounting policies (Continued)

(o) Current and deferred taxation (Continued)

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 is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) 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 the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) 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.

1 Principal accounting policies (Continued)

(r) Contingent liabilities and contingent assets (Continued)

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.

(s) 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.

(t) Foreign currency translation

(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 financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equities classified as available-for-sale, are included in the available-for-sale financial assets reserve in equity.

1 Principal accounting policies (Continued)

(t) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the 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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity 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.

(u) 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, other non-current assets, goodwill, available-for-sale financial assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities, consideration payables by TOM Online Inc and its subsidiaries (collectively refer to the "TOM Online Group") and pension obligations and exclude items such as corporate consideration payables, taxation and borrowings. Capital expenditure comprises additions to fixed assets and other intangible assets.

1 Principal accounting policies (Continued)

(u) Segment reporting (Continued)

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.

(v) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

(w) 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 (treasury shares), 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 expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, fair value interest rate risk and 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, listed debt securities and deposits placed with banks. 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.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Sales of products and services are made to customers with appropriate credit history. For credit exposures to customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For banks and financial institutions, deposits are only placed with reputable banks to mitigate the risk arising from banks.

(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 longer term.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if the contracting rates are floating, based on rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2007				
Group				
Bank borrowings and other loan	3,014,368[1]	466,821	460,992	402
Convertible Bonds	200,138	–	–	–
Trade and other payables	1,115,454	–	–	–
Taxation payable	56,484	–	–	–
Company				
Bank borrowings	1,737,449[1]	–	–	–
Other payables	111,995	–	–	–

As at 31 December 2007, the Group had net current liabilities of HK$233 million.

[1] In March 2008, the Company has accepted an offer from a financial institution for a bank loan facility of US$160 million (approximately HK$1,248 million) for one year commencing April 2008.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2006				
Group				
Bank borrowings	1,003,610	1,189,146	536,088	189,923
Convertible Bonds	–	191,023	–	–
Trade and other payables	935,654	–	–	–
Taxation payable	56,858	–	–	–
Company				
Bank borrowings	318,048	–	–	–
Other payables	52,674	–	–	–

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Price risk

Management considers that the Group is not subject to any significant price risk.

(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 originates from the interest-bearing borrowings and interest-bearing bank and cash deposits. Borrowings issued at variable rates and bank and cash deposit placed at variable rates expose the Group to cash flow interest-rate risk. Borrowing issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2007, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$38,191,000 higher/lower (2006: HK$27,108,000 lower/higher on post-tax profit), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2007, if interest rates had been 50 basis points lower/higher with all other variables held constant, equity would have been HK$1,432,000 (2006: HK$2,545,000) higher/lower, mainly as a result of an increase/decrease in the fair value of fixed rate financial assets classified as available -for -sale.

At 31 December 2007, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$18,486,000 lower/higher (2006: HK$16,563,000 higher/lower on post-tax profit) due to interest income earned on market interest rate.

Apart from the convertible bonds as disclosed in note 34 to the accounts, total bank loans of HK$511,000 and other loan of HK$357,000 held by the Group as at 31 December 2007 were with fixed interest rates, of which HK$396,000 are fully repayable within one year. The total bank loans with floating rates held by the Group as at 31 December 2007 amounted to HK$3,819,064,000, 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.

Since HK dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group. A sensitivity review on the foreign currency exposure of HK dollar/US dollar against Renminbi and New Taiwan dollar is set out below.

At 31 December 2007, if HK dollars/US dollars had weakened/strengthened by 5% against the Renminbi ("RMB") with all other variables held constant, post-tax loss for the year would have been HK$1,377,000 higher/lower (2006: HK$11,933,000 lower/higher on post-tax profit), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated cash and bank balances, trade and other receivables, trade and other payables and US dollar denominated borrowings in the books of subsidiaries which have functional currencies other than US dollars. Loss in 2007 is less sensitive to movement in currency exchange rate than that in 2006 because the amount of net debts denominated in US dollar held by the operating companies in the PRC had decreased.

As at 31 December 2007, if HK dollars/US dollars had weakened/strengthened by 5% against the Renminbi ("RMB") with all other variables held constant, equity would have been HK$38,992,000 (2006: HK$37,978,000) lower/higher, arising mainly from foreign exchange losses/gains on translation of US dollar denominated securities classified as available-for-sale held by subsidiaries which have functional currencies other than US dollars.

At 31 December 2007, if HK dollar/US dollar had weakened/strengthened by 5% against the New Taiwan dollars with all other variables held constant, post-tax loss for the year would have been HK$676,000 higher/lower (2006: HK$1,516,000 lower/higher on post-tax profit), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated cash and bank balance in the books of subsidiaries which have functional currencies other than US dollars . Loss in 2007 is less sensitive to movement in currency exchange rate than that in 2006 because the amount of US dollar denominated bank and cash balance held by operating companies in Taiwan had decreased.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(vi) Market risks sensitivity analysis

For the presentation of market risks (including interest rate risk, exchange rate risk and market price risk), HKFRS 7 'Financial Instruments: Disclosures' requires disclosure of a sensitivity analysis for each type of market risks that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the balance sheet date on profit or loss and shareholders' equity.

The effect that is disclosed assumes that (a) a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analysis are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and losses.

2 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, raise or repay bank borrowings, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total borrowings and total equity. Total borrowings include short-term bank and other loans, long-term bank loans and convertible bonds as shown in the consolidated balance sheet. Total equity is the 'equity' as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 **HK$'000**	2006 HK$'000
Short-term bank and other loans (note 31)	**2,515,998**	727,569
Long-term bank loans (note 32(a))	**1,303,934**	1,999,222
Convertible bonds	**200,138**	191,023
Total borrowings	**4,020,070**	2,917,814
Total equity	**3,498,386**	4,321,778
Total borrowings and equity	**7,518,456**	7,239,592
Gearing ratio	**53%**	40%

The increase in the gearing ratio during 2007 resulted primarily from the additional borrowings to finance the Group's acquisitions (note 42).

2 Financial risk management (Continued)

(c) 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 carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of 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 a material adjustment 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 17, 35 and 38 to the accounts, respectively. Other key sources of estimation uncertainty are as follows:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amount of the cash generating units (CGUs) in the Internet Group have been determined based on the higher of fair value less costs to sell and value-in-use. The recoverable amounts of the CGUs of other segments have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

3 Critical accounting estimates and judgements (Continued)

(i) Estimated impairment of goodwill (Continued)

An impairment charge of HK$127,116,000 and HK$36,581,000 arose in the CGU in Internet group and Television and Entertainment group respectively during the course of the year 2007, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the budget annual growth rate for each of all the coming years used in the value-in-use calculation had been 1% lower than management's estimates at 31 December 2007 (for example, 9% instead of 10%), the Group would have recognised a further impairment of goodwill by HK$135,963,000.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. As at 31 December 2007, the total income tax provision and deferred tax liabilities of the Group amounted to HK$56,484,000 and HK$14,632,000, 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.

In March 2007, the Chinese government promulgated the Corporate Income Tax Law which was effective from 1 January 2008. Among others, the reduced income tax rate for new technology enterprises remains at 15% under the new Corporate Income Tax ("CIT") Law. However, the qualifying criteria of a new technology enterprise under the new law and detailed implementation rules have not been released. Basing on the prevailing situation, management expects that most of the companies in the Group now having the qualification of new technology enterprises will continue to qualify as such under the new CIT Law. In the worst case, assuming all the relevant companies of the Group lose their new technology enterprise status immediately from 1 January 2008, and if the applicable income tax rate increases immediately to 25%, a further impairment charge on goodwill of the Group of HK$116,482,000 would be taken as at 31 December 2007.

3 Critical accounting estimates and judgements (Continued)

(iii) Provision for sales return

Turnover is stated net of 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 2007, the provision for sales return of the Group amounted to HK$41,928,000. This provision is recognised by the Group based on the best estimates by management with reference to past experience and other relevant factors. Any difference between this estimate and the actual return will impact the Group's result in the period in which the actual return is determined.

(iv) 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 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. The amount of provision made as at 31 December 2007 was HK$86,859,000 (2006: HK$79,638,000). 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 153 to 159.

Turnover and revenues recognised during the year are as follows:

	2007 HK$'000	2006 HK$'000 (As restated)
Continuing operations		
Turnover		
Provision of wireless internet services, online advertising, commercial enterprise solutions and internet access	**1,085,460**	1,370,862
Magazine and book circulation, sales of publication advertising and other related products	**947,544**	948,063
Advertising sales of outdoor media assets and provision of outdoor media services	**440,178**	391,166
Advertising sales in relation to satellite television channel operations and provision of broadcasting post production and event production and marketing services	**209,433**	88,573
	2,682,615	2,798,664
Interest income		
– available-for-sale financial assets	**55,361**	66,051
– bank and others	**38,629**	42,761
	93,990	108,812
Total revenues from continuing operations	**2,776,605**	2,907,476

4 Turnover, revenue and segment information (Continued)

	2007 HK$'000	2006 HK$'000 (As restated)
Discontinued operations		
Turnover		
Event organisation, advertising and sponsorship sales in relation to sports events and programmes	**818**	112,250
	818	112,250
Interest income – bank and others	**491**	593
Total revenues from discontinued operations	**1,309**	112,843
Consolidated total revenues	**2,777,914**	3,020,319

Primary reporting format – business segments

The Group is organised into the following business segments:

Continuing operations

- Internet Group – provision of wireless internet services, online advertising, commercial enterprise solutions, and internet access.
- Publishing Group – magazine and book circulation, sales of publication advertising and other related products.
- Outdoor Media Group – advertising sales of outdoor media assets and provision of outdoor media services.
- Television and Entertainment Group – advertising sales in relation to satellite television channel operations, provision of broadcasting post production and event production and marketing services.

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

Discontinued operations

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

  Since 1 January 2007, the Sports Group has ceased to participate in or organise any sports events. Further details of the discontinuation of the Sports Group segment are set out in note 10 to the consolidated financial statements.

Secondary reporting format – geographical segments

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

Hong Kong	–	Internet Group, Publishing Group and Television and Entertainment Group
Mainland China	–	Internet Group, Publishing Group, Outdoor Media Group, Television and Entertainment Group and Sports Group (discontinued)
Taiwan and other Asian countries	–	Publishing Group

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment result for the year ended 31 December 2007 are as follows:

	Year ended 31 December 2007						
	Continuing operations					Discontinued operations	
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Sub-total HK$'000	Sports group HK$'000	Total HK$'000
Total gross segment turnover	1,085,460	947,655	440,178	211,077	2,684,370	818	2,685,188
Inter-segment turnover	–	(111)	–	(1,644)	(1,755)	–	(1,755)
Turnover	1,085,460	947,544	440,178	209,433	2,682,615	818	2,683,433
Segment profit/(loss) before amortisation and depreciation	186,772	110,080	50,157	19,272	366,281	(9,490)	356,791
Amortisation and depreciation	(80,101)	(18,295)	(35,331)	(29,004)	(162,731)	(48)	(162,779)
Segment profit/(loss)	106,671	91,785	14,826	(9,732)	203,550	(9,538)	194,012
Provision for impairment of goodwill	(127,116)	–	–	(36,581)	(163,697)	–	(163,697)
Share of losses of jointly controlled entities	(104,303)	–	–	–	(104,303)	–	(104,303)
Share of profits of associated companies	710	16,964	–	–	17,674	–	17,674
Unallocated (costs)/income, net					(45,304)	491	(44,813)
Operating loss					(92,080)	(9,047)	(101,127)
Finance costs					(172,164)	–	(172,164)
Loss before taxation					(264,244)	(9,047)	(273,291)
Taxation					(49,603)	–	(49,603)
Loss for the year					(313,847)	(9,047)	(322,894)

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year ended are as follows:

	As at/For the year ended 31 December 2007				
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Total HK$'000
Segment assets	5,129,227	1,214,912	1,034,760	214,071	7,592,970
Interests in jointly controlled entities	(86,856)	–	–	–	(86,856)
Interests in associated companies	2,479	230,660	–	–	233,139
Unallocated assets					1,029,185
Total assets					8,768,438
Segment liabilities	428,932	367,061	160,105	69,912	1,026,010
Unallocated liabilities					4,244,042
Total liabilities					5,270,052
Segment capital expenditure	21,162	11,191	31,364	28,742	92,459
Unallocated capital expenditure					793
Total capital expenditure					93,252

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment result for the year ended 31 December 2006 are as follows:

	Year ended 31 December 2006 (As restated)						
	Continuing operations					Discontinued operations	
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Sub-total HK$'000	Sports group HK$'000	Total HK$'000
Total gross segment turnover	1,371,177	950,858	391,166	93,951	2,807,152	113,314	2,920,466
Inter-segment turnover	(315)	(2,795)	–	(5,378)	(8,488)	(1,064)	(9,552)
Turnover	1,370,862	948,063	391,166	88,573	2,798,664	112,250	2,910,914
Segment profit/(loss) before amortisation and depreciation	379,384	119,898	37,436	(15,536)	521,182	(22,330)	498,852
Amortisation and depreciation	(77,683)	(21,233)	(30,660)	(34,314)	(163,890)	(581)	(164,471)
Segment profit/(loss)	301,701	98,665	6,776	(49,850)	357,292	(22,911)	334,381
Net gain on deemed disposals of interests in subsidiaries	–	–	24,601	–	24,601	–	24,601
Provision for impairment of goodwill and other assets	(36,044)	–	–	–	(36,044)	(11,000)	(47,044)
Share of losses of jointly controlled entities	(758)	–	–	–	(758)	–	(758)
Share of (losses)/profits of associated companies	(212)	10,088	–	–	9,876	(899)	8,977
Unallocated (costs)/income, net					(23,060)	593	(22,467)
Operating profit/(loss)					331,907	(34,217)	297,690
Finance costs					(145,070)	–	(145,070)
Profit/(loss) before taxation					186,837	(34,217)	152,620
Taxation					(33,137)	132	(33,005)
Profit/(loss) for the year					153,700	(34,085)	119,615

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year ended are as follows:

	As at/for the year ended 31 December 2006					
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and Entertainment group HK$'000	Sports group HK$'000	Total HK$'000
Segment assets	3,974,986	1,261,094	1,024,608	221,646	217,596	6,699,930
Assets classified as held for sale	93,973	–	–	–	–	93,973
Interests in jointly controlled entities	14,171	–	–	–	–	14,171
Interests in associated companies	1,246	229,847	–	–	–	231,093
Unallocated assets						1,251,556
Total assets						8,290,723
Segment liabilities	287,538	358,022	155,795	45,650	38,182	885,187
Liabilities classified as held for sale	7,920	–	–	–	–	7,920
Unallocated liabilities						3,075,838
Total liabilities						3,968,945
Segment capital expenditure	64,200	12,731	28,869	119	25,560	131,479
Unallocated capital expenditure						1,019
Total capital expenditure						132,498

4 Turnover, revenue and segment information (Continued)

Secondary reporting format – geographical segments

	Turnover					
	Year ended 31 December 2007			Year ended 31 December 2006 (As restated)		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000
Hong Kong	16,540	–	16,540	15,785	–	15,785
Mainland China	1,740,025	818	1,740,843	1,823,574	112,250	1,935,824
Taiwan and other Asian countries	926,050	–	926,050	959,305	–	959,305
	2,682,615	818	2,683,433	2,798,664	112,250	2,910,914

Revenue is allocated based on the country in which the customer is located.

	Operating (loss)/profit					
	Year ended 31 December 2007			Year ended 31 December 2006 (As restated)		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000
Hong Kong	(7,973)	–	(7,973)	(8,618)	–	(8,618)
Mainland China	244,873	(9,490)	235,383	396,454	(22,330)	374,124
Taiwan and other Asian countries	129,381	–	129,381	133,346	–	133,346
	366,281	(9,490)	356,791	521,182	(22,330)	498,852
Amortisation and depreciation	(162,731)	(48)	(162,779)	(163,890)	(581)	(164,471)
Provision for impairment of goodwill and other assets	(163,697)	–	(163,697)	(36,044)	(11,000)	(47,044)
Share of losses of jointly controlled entities	(104,303)	–	(104,303)	(758)	–	(758)
Share of profits/(losses) of associated companies	17,674	–	17,674	9,876	(899)	8,977
Net gain on deemed disposals of interests in subsidiaries	–	–	–	24,601	–	24,601
Unallocated (costs)/income, net	(45,304)	491	(44,813)	(23,060)	593	(22,467)
Operating (loss)/profit	(92,080)	(9,047)	(101,127)	331,907	(34,217)	297,690

4 Turnover, revenue and segment information (Continued)

Secondary reporting format – geographical segments (Continued)

	Total assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**896,081**	1,233,390	**1,168**	1,410
Mainland China	**6,695,302**	5,745,490	**79,861**	117,340
Taiwan and other Asian countries	**1,177,055**	1,311,843	**12,223**	13,748
Total	**8,768,438**	8,290,723	**93,252**	132,498

Total assets are allocated based on where the assets are located. Capital expenditure is allocated based on where the assets are located.

5 Provision for impairment of goodwill and other assets

The amount in the current year represented a provision for impairment of goodwill of the Internet Group of HK$127,116,000 and a provision for impairment of goodwill of the Television and Entertainment Group of HK$36,581,000, which were made with reference to the estimated values of the respective businesses. These provisions were mainly due to the tightening of certain regulations and policies in Mainland China, as well as the market conditions of the respective businesses.

The amount recorded in 2006 represented a provision for impairment of assets held for sale of HK$36,044,000 (note 33), and a provision for impairment of goodwill of HK$11,000,000 for the Sports Group (note 10). The provision for impairment of goodwill, which was related to the business of a sports event in Mainland China, was made with reference to the estimated disposal value of that business less costs to sell.

6 Net gain on deemed disposals of interests in subsidiaries

On 28 March 2006, the Group signed a partnership agreement with Singapore Press Holdings Limited ("SPH") under which SPH invested US$26,000,000 (approximately HK$202,800,000) in the outdoor media business of the Group through investing in TOM Outdoor Media Group Limited ("OMG Holdco") by way of issuance of new shares of OMG Holdco.

As a result of the issuance of new shares of OMG Holdco, the Group's shareholding in OMG Holdco has been diluted to 65% and resulted in a gain of HK$24,601,000 in 2006.

7 Operating (loss)/profit

Operating (loss)/profit is stated after charging/crediting the following:

	2007 HK$'000	2006 HK$'000 (As restated)
Continuing operations		
Charging:–		
Depreciation (note 16)	117,328	115,314
Amortisation of other intangible assets (note 18)	47,715	52,589
Amortisation of other intangible assets included in interests in associated companies (note 21)	4,896	4,896
Cost of inventories sold (note 26)	460,722	473,805
Staff costs (including directors' emoluments)(note 14)	586,296	573,899
Operating leases in respect of:		
– Land and buildings	58,166	56,640
– Other assets	172,254	134,789
Auditor's remuneration	15,869	23,797
Provision for impairment of trade receivables	7,070	9,626
Loss on disposal of fixed assets	5,774	5,407
Loss on disposal of a subsidiary (note 33)	9,193	–
Loss on disposal of non-current assets	1,076	–
Provision for inventories	30,677	25,165
Crediting:–		
Gain on disposal of available-for-sale financial assets	26,029	90
Gain on exercise of share options of TOM Online Inc, ("TOMO")	–	19,694
Gain on disposal of a subsidiary	–	14,698
Dividend income from available-for-sale financial assets	–	2,465
Exchange gain, net	28,102	12,773
Discontinued operations		
Charging:–		
Depreciation (note 16)	48	581
Staff costs (including directors' emoluments) (note 14)	1,586	21,958
Operating leases in respect of:		
– Land and buildings	–	1,123
Loss on disposal of subsidiaries and an associated company (note 10)	1,901	–
Provision for impairment of trade receivables	–	3,236
Exchange loss	–	665

8 Finance costs

All finance costs were incurred for continuing operations and are analysed as follows:

	2007 HK$'000	2006 HK$'000
Interest and borrowing costs on bank loans	**160,580**	93,853
Interest and borrowing costs on convertible bonds	**10,120**	50,298
Interest on other loans, wholly repayable within five years	**1,464**	919
Total finance costs	**172,164**	145,070

9 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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:

	2007 HK$'000	2006 HK$'000 (As restated)
Continuing operations		
Overseas taxation	**56,848**	37,580
Under/(over)-provision in prior years	**30**	(1,862)
Deferred taxation (note 36(c))	**(7,275)**	(2,581)
Taxation charges	**49,603**	33,137
Discontinued operations		
Over provision in prior years (note 10)	**–**	(132)

Share of associated companies' taxation credit amounted to HK$2,158,000 for the year ended 31 December 2007 and has been included in the consolidated profit and loss account as share of profits less losses of associated companies (2006: taxation charges of HK$2,683,000).

9 Taxation (Continued)

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

	2007 HK$'000	2006 HK$'000 (As restated)
(Loss)/profit before taxation		
From continuing operations	**(264,244)**	186,837
From discontinued operations	**(9,047)**	(34,217)
	(273,291)	152,620
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**(47,826)**	26,709
Effect of different applicable taxation rates in other countries	**(27,528)**	(61,175)
Income not subject to taxation	**(22,196)**	(32,941)
Expenses not deductible for taxation purposes	**72,665**	40,516
Utilisation of previously unrecognised tax losses	**(13,757)**	(2,105)
Recognition of previously unrecognised temporary differences	**(845)**	(3,536)
Tax losses not recognised	**68,947**	66,520
Results of associated companies and jointly controlled entities	**15,160**	(1,438)
Withholding tax	**128**	6,463
Temporary differences not recognised	**4,825**	(4,014)
Under/(over) provision in prior years	**30**	(1,994)
Taxation charge	**49,603**	33,005

The applicable tax rate for most of the Group's major subsidiaries in 2007 remained similar to that in 2006, except for certain subsidiaries in Internet Group for which the applicable tax rates have been increased from 0% to 7.5%, or from 7.5% to 15%, in 2007, due to expiry of certain preferential tax treatments.

10 Discontinued operations

Since 1 January 2007, the Group has ceased to participate in any sports related event. During the year, the Group has disposed of its 49% equity interest in the Beijing China Open Promotion Company Limited ("COL") and 100% equity interests in Champion Will International Limited ("Champion Will") and Swidon Enterprises Limited ("Swidon") for a total consideration of US$15.5 million (approximately HK$121 million). COL was mainly engaged in the organisation of the China Open tennis tournament event in Beijing, while Champion Will and Swidon were the holders of the ATP and WTA licenses respectively.

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

(i) Analysis of the result of discontinued operation is as follows:

	2007 **HK$'000**	2006 HK$'000
Turnover	**818**	112,250
Interest income	**491**	593
Operating expenses	**(8,455)**	(135,161)
Provision for impairment of goodwill	**–**	(11,000)
Share of loss of an associated company	**–**	(899)
Loss from discontinued operation before tax	**(7,146)**	(34,217)
Taxation	**–**	132
Loss after taxation from discontinued operation	**(7,146)**	(34,085)
Loss on disposal of discontinued operations	**(1,901)**	–
Loss for the year from discontinued operations	**(9,047)**	(34,085)
Attributable to:		
Minority interest	**–**	(849)
Equity holders of the Company	**(9,047)**	(33,236)

10 Discontinued operations (Continued)

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

	2007 HK$'000	2006 HK$'000
Net cash (outflow)/inflow from operating activities	**(160,361)**	11,120
Net cash inflow from investing activities	**120,590**	851
Net cash inflow/(outflow) from financing activities	**14,043**	(16,043)
Total cash outflow	**(25,728)**	(4,072)

11 Loss attributable to equity holders of the Company

The net loss of the Company is HK$247,836,000 (2006: HK$285,992,000) and is included in determining the loss 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 2007 included a provision for impairment in interests in subsidiaries amounting to HK$160,424,000 (2006: HK$273,894,000).

12 Dividends

No dividends had been paid or declared by the Company during the year (2006: HK$Nil).

13 (Loss)/earnings per share

(a) Basic

Continuing operations

The calculation of the basic (loss)/earnings per share is based on consolidated loss from continuing operations attributable to equity holders of the Company of HK$288,324,000 (2006: profit of HK$65,197,000) and the weighted average of 3,893,270,558 (2006: 3,893,270,558) ordinary shares in issue during the year.

Discontinued operations

The calculation of the basic loss per share is based on consolidated loss from discontinued operations attributable to equity holders of the Company of HK$9,047,000 (2006: HK$33,236,000) and the weighted average of 3,893,270,558 (2006: 3,893,270,558) ordinary shares in issue during the year.

13 (Loss)/earnings per share (Continued)

(b) Diluted

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2007 and 2006 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 on (loss)/earnings per share.

14 Staff costs, including directors' emoluments

	2007 **HK$'000**	2006 HK$'000
Wages and salaries	**557,822**	546,509
Pension costs – defined contribution plans	**12,637**	19,616
Pension costs – defined benefit plans (note 35(b))	**3,731**	4,258
Share-based compensation (note 38(c))	**13,692**	25,474
	587,882	595,857

15 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2007 is set out below:

	Fees	Basic salaries, housing allowances, other allowances and benefit in kind	Discretionary bonuses	Contributions to retirement benefit schemes	Sub-total	Share compensation costs#	Fees returned to the Company	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Current executive director								
Ms. Tong Mei Kuen, Tommei	84	2,250	10,750	150	13,234	–	(34)	13,200
Ms. Mak Soek Fun, Angela	84	1,770	391	125	2,370	–	(34)	2,336
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	84	1,559	6,246	133	8,022	12,767	–	20,789
Mr. Frank John Sixt	84	–	–	–	84	–	–	84
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
Total	886	5,579	17,387	408	24,260	12,767	(68)	36,959

15 Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2006 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$'000	Share compensation costs # HK$'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	242	(50)	13,442
Ms. Mak Soek Fun, Angela	77	1,645	369	115	2,206	–	(37)	2,169
Past executive director								
Mr. Sing Wang	7	1,143	971	–	2,121	98	(4)	2,215
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	1,425	–	139	1,664	19,419	–	21,083
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
Total	934	6,463	12,090	404	19,891	19,759	(91)	39,559

\# This represents the amortisation of the fair value of share options measured at the grant dates charged to the consolidated profit and loss account, regardless of whether the share options have been exercised or not (note 38(c)).

15 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 the 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 years ended 31 December 2007 and 2006.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2006: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007	2006
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**6,058**	7,525
Discretionary bonuses	**435**	876
Director's fee received from subsidiary of the Group	**65**	100
Contributions to retirement benefit schemes	**318**	557
	6,876	9,058
Share-based compensation (#)	**2,445**	3,002
	9,321	12,060

\# 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 38(c)).

After taking into account the share-based compensation, the emoluments of these three (2006: three) individuals fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
HK\$2,500,001 – HK\$3,000,000	**2**	–
HK\$3,000,001 – HK\$3,500,000	**–**	1
HK\$3,500,001 – HK\$4,000,000	**1**	–
HK\$4,000,001 – HK\$4,500,000	**–**	1
HK\$4,500,001 – HK\$5,000,000	**–**	1

16 Fixed assets

	Group						
	Properties	Leasehold improve-ments	Computer equipment	Outdoor media assets	Other assets	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2006	13,477	56,116	459,438	158,284	81,844	9,087	778,246
Exchange adjustment	588	1,208	13,773	5,582	1,678	516	23,345
Additions	–	2,955	71,880	10,778	4,989	7,945	98,547
Acquisition of subsidiaries (note 43(b))	–	–	1,312	4,602	666	–	6,580
Transfer between categories	–	–	362	7,207	–	(7,569)	–
Transfer to intangible assets	–	–	–	–	–	(2,721)	(2,721)
Reclassification to assets held for sale	–	(522)	(1,418)	–	(1,517)	–	(3,457)
Disposals	–	(2,227)	(19,101)	(9,535)	(4,410)	(332)	(35,605)
Disposals of subsidiaries (note 43(c))	–	–	–	–	(581)	–	(581)
At 31 December 2006	14,065	57,530	526,246	176,918	82,669	6,926	864,354
At 1 January 2007	14,065	57,530	526,246	176,918	82,669	6,926	864,354
Exchange adjustment	843	1,799	26,284	9,394	2,457	352	41,129
Additions	–	4,902	29,979	11,332	2,915	11,844	60,972
Acquisition of subsidiaries (note 43(b))	–	–	498	–	3	–	501
Transfer between categories	–	–	–	14,374	–	(14,374)	–
Disposals	–	(5,684)	(120,330)	(16,493)	(2,835)	(325)	(145,667)
At 31 December 2007	14,908	58,547	462,677	195,525	85,209	4,423	821,289

16 Fixed assets (Continued)

	Group						
	Properties	Leasehold improve-ments	Computer equipment	Outdoor media assets	Other assets	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation and impairment losses							
At 1 January 2006	2,181	30,985	316,155	67,217	46,116	–	462,654
Exchange adjustment	110	649	10,562	2,569	1,331	–	15,221
Acquisition of subsidiaries (note 43(b))	–	–	628	151	267	–	1,046
Depreciation charge for the year	641	9,018	79,987	14,996	11,253	–	115,895
Reclassification to assets held for sale	–	(231)	(1,234)	–	(910)	–	(2,375)
Disposals	–	(2,227)	(19,002)	(4,504)	(4,087)	–	(29,820)
Disposals of subsidiaries (note 43(c))	–	–	–	–	(581)	–	(581)
At 31 December 2006	2,932	38,194	387,096	80,429	53,389	–	562,040
At 1 January 2007	2,932	38,194	387,096	80,429	53,389	–	562,040
Exchange adjustment	196	1,067	21,114	4,285	1,668	–	28,330
Acquisition of subsidiaries (note 43(b))	–	–	102	–	1	–	103
Depreciation charge for the year	676	7,158	80,351	19,151	10,040	–	117,376
Disposals	–	(4,868)	(120,071)	(10,031)	(2,477)	–	(137,447)
At 31 December 2007	3,804	41,551	368,592	93,834	62,621	–	570,402
Net book value							
At 31 December 2007	11,104	16,996	94,085	101,691	22,588	4,423	250,887
At 31 December 2006	11,133	19,336	139,150	96,489	29,280	6,926	302,314

16 Fixed assets (Continued)

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

	2007 HK$'000	2006 HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	**11,012**	11,024
Leases of between 10 to 50 years	**92**	109
	11,104	11,133

17 Goodwill

	Group	
	2007 HK$'000	2006 HK$'000
At 1 January	**2,719,455**	2,514,896
Exchange adjustment	**107,280**	80,886
Additions arising from acquisitions in current and prior years	**1,085,139**	242,963
Consideration adjustment for acquisition of subsidiaries	**–**	(7,800)
Transferred to assets held for sale (note 33)	**–**	(72,997)
Disposal of subsidiaries/a subsidiary (note 43(c))	**(85,117)**	(27,493)
Provision for impairment of goodwill (note 5)	**(163,697)**	(11,000)
At 31 December	**3,663,060**	2,719,455

17 Goodwill (Continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business and geographical segments.

A segment level of the goodwill allocation is presented below.

	2007				2006			
	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	2,766,400	–	–	2,766,400	1,710,362	–	–	1,710,362
Publishing	116	–	508,976	509,092	116	–	501,846	501,962
Outdoor Media	314,075	–	–	314,075	311,940	–	–	311,940
Television and Entertainment	70,106	3,387	–	73,493	82,116	3,387	–	85,503
Sports (discontinued operations)	–	–	–	–	109,688	–	–	109,688
	3,150,697	3,387	508,976	3,663,060	2,214,222	3,387	501,846	2,719,455

The recoverable amount of a CGU in the Television and Entertainment Group in 2007 is determined with reference to the value-in-use of the business (note 5).

17 Goodwill (Continued)

(a) Impairment tests for goodwill (Continued)

The recoverable amount of each CGU in the Internet Group is determined based on the higher of fair value less costs to sell and value-in-use. Fair value is the estimated amount at which the asset could be bought or sold in an arm's length transaction between knowledgeable and willing parties, that is other than in a forced or liquidated sale. The valuation was performed by American Appraisal China Limited in October 2007. Before arriving at the valuation, the following principal factors were considered:

– the nature of the CGU;
– the economic outlook in general and the specific economic and competitive elements affecting the CGU's business, its industry and its market;
– the nature and prospects of the Internet and wireless value-added services industry in China;
– the market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of projects;
– the stage of development of the CGU's operation; and
– the business risks of the CGU.

Due to the changing environment in which the CGUs are operating, 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, fiscal and economic conditions and relevant governmental policies in countries in which the CGU will carry on its business;
– except for the announced tax reform (see note 3(ii)) which is expected to be enforced in 2008 in China, there will be no major changes in the current taxation law in countries in which the CGU operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
– exchange rates and interest rates will not differ materially from those presently prevailing;
– the availability of finance will not be a constraint on the future growth of the CGU's operation;
– the CGU will retain and have competent management, key personnel, and technical staff to support its ongoing operation; and
– industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

17 Goodwill (Continued)

(a) Impairment tests for goodwill (Continued)

The recoverable amounts of all other CGUs are determined based on value-in-use calculations. These calculations use pre-tax 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.

The key assumptions used for value-in-use calculations:

	Publishing Group		Outdoor Media Group	Television and Entertainment Group
	Mainland China	Taiwan	Mainland China	Mainland China
Gross margin[1]	45%	50%	15%-51%	13%-70%
Growth rate[2]	1%	1%	1%	1%
Discount rate[3]	7%	7%	8%	8%

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.

18 Other intangible assets

	Group						
	Concession rights 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 2006	68,989	35,522	16,475	144,895	9,888	12,192	287,961
Exchange adjustment	1,902	431	367	–	366	761	3,827
Additions	6,513	–	4,415	23,023	–	–	33,951
Acquisition of subsidiaries (note 43(b))	5,941	890	–	–	85	20,036	26,952
Reclassification to assets held for sale	–	–	–	–	–	(1,771)	(1,771)
Transfer from construction in progress	2,721	–	–	–	–	–	2,721
Written-off	–	–	–	–	–	(10,737)	(10,737)
At 31 December 2006	86,066	36,843	21,257	167,918	10,339	20,481	342,904
At 1 January 2007	86,066	36,843	21,257	167,918	10,339	20,481	342,904
Exchange adjustment	4,951	621	106	–	672	1,331	7,681
Additions	6,047	–	604	25,629	–	–	32,280
Disposal of subsidiaries (note 43(c))	–	(27,300)	–	–	–	–	(27,300)
Disposal	(6,019)	–	(2,612)	–	–	–	(8,631)
At 31 December 2007	91,045	10,164	19,355	193,547	11,011	21,812	346,934

18 Other intangible assets (Continued)

	Group						
	Concession rights 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							
At 1 January 2006	32,874	5,640	7,295	136,652	3,163	10,464	196,088
Exchange adjustment	552	284	186	–	155	291	1,468
Amortisation charge for the year	9,892	1,718	5,948	27,744	2,099	5,188	52,589
Reclassification to assets held for sale	–	–	–	–	–	(820)	(820)
Written-off	–	–	–	–	–	(10,737)	(10,737)
At 31 December 2006	43,318	7,642	13,429	164,396	5,417	4,386	238,588
At 1 January 2007	43,318	7,642	13,429	164,396	5,417	4,386	238,588
Exchange adjustment	4,013	560	106	–	423	539	5,641
Amortisation charge for the year	10,198	1,881	3,684	22,248	2,113	7,591	47,715
Disposal	(2,608)	–	(2,612)	–	–	–	(5,220)
At 31 December 2007	54,921	10,083	14,607	186,644	7,953	12,516	286,724
Net book value							
At 31 December 2007	36,124	81	4,748	6,903	3,058	9,296	60,210
At 31 December 2006	42,748	29,201	7,828	3,522	4,922	16,095	104,316

19 Interests in subsidiaries

	Company	
	2007	2006
	HK$'000	HK$'000
Investments at cost – unlisted shares	**2,259,451**	644,034
Amounts due from subsidiaries	**4,834,273**	5,005,778
Amounts due to subsidiaries	**(887,457)**	(778,966)
Less: provision for impairment	**(2,674,771)**	(2,514,347)
	3,531,496	2,356,499

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

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

The list of the principal subsidiaries of the Group at 31 December 2007 is set out on pages 153 to 159.

20 Interests in jointly controlled entities

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net (liabilities)/assets – unlisted shares	**(86,856)**	14,171

Note:

(a) 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.

(b) The details of the principal jointly controlled entity of the Group for the year ended 31 December 2007 is set out below:

20 Interests in jointly controlled entities (Continued)

Note: (Continued)

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets	Liabilities	Turnover	Net loss	Effective interest held
			HK$'000	HK$'000	HK$'000	HK$'000	
2007							
TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	US$50,000	172,561	61,093	10,392	203,800	45.9%

21 Interests in associated companies

	Group 2007 HK$'000	Group 2006 HK$'000
Beginning of the year	**231,093**	238,124
Share of profits less losses	**17,674**	8,977
Acquisition	**509**	–
Dividend paid	**(25,793)**	(18,605)
Exchange difference	**9,656**	2,597
End of the year	**233,139**	231,093
Included in the balances:		
Goodwill		
Beginning of the year	**128,177**	128,177
Exchange difference	**6,452**	–
End of the year	**134,629**	128,177
Other intangible assets (note (a))		
Cost	**65,156**	65,156
Accumulated amortisation	**(16,726)**	(11,830)
	48,430	53,326

21 Interests in associated companies (Continued)

Note:

(a) The other intangible assets arising from the acquisition mainly comprised 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 beyond the five-year budget period	1%
Discount rate	7%

Please refer to note 17(a) for detailed explanation of these key assumptions.

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

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets	Liabilities	Turnover	Net profit	Effective interest held
			HK$'000	HK$'000	HK$'000	HK$'000	
2007							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	133,846	26,124	148,165	42,324	48.5%
2006							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	138,756	43,515	163,348	28,207	48.5%

22 Financial instruments by category

Group

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets as per consolidated balance sheet			
31 December 2007			
Available-for-sale financial assets (note 23)	–	1,591,416	1,591,416
Trade receivables (note 27)	556,734	–	556,734
Advance to investee companies (note 24)	2,145	–	2,145
Bank balances and cash	1,828,396	–	1,828,396
	2,387,275	1,591,416	3,978,691
31 December 2006			
Available-for-sale financial assets (note 23)	–	1,986,388	1,986,388
Trade receivables (note 27)	555,227	–	555,227
Advance to investee companies (note 24)	2,091	–	2,091
Bank balances and cash	1,618,778	–	1,618,778
	2,176,096	1,986,388	4,162,484

22 Financial instruments by category (Continued)

Group (Continued)

	Other financial liabilities
	HK$'000
Liabilities as per consolidated balance sheet	
31 December 2007	
Short-term bank and other loans (note 31)	2,515,998
Long-term bank loans (note 32(a))	1,303,934
Convertible bonds (note 34)	200,138
Trade and other payables (note 30)	1,147,564
Taxation payable	56,484
	5,224,118
31 December 2006	
Short-term bank and other loans (note 31)	727,569
Long-term bank loans (note 32(a))	1,999,222
Convertible bonds (note 34)	191,023
Trade and other payables (note 30)	945,909
Taxation payable	56,858
	3,920,581

	Loans and receivables	
	2007	2006
	HK$'000	HK$'000
Company		
Assets as per balance sheet		
Bank balances and cash	**60,985**	3,195
	60,985	3,195

	Other financial liabilities	
	2007	2006
	HK$'000	HK$'000
Liabilities as per balance sheet		
Short-term bank loans	**1,730,480**	315,900
Other payables (note 30)	**118,964**	54,822
	1,849,444	370,722

23 Available-for-sale financial assets

	Group	
	2007	2006
	HK$'000	HK$'000
Listed debt securities outside Hong Kong with fixed interest ranging from 2.250% to 5.875% and maturity dates between 2008 and 2009 at fair value	**1,558,703**	1,913,759
Unlisted equity securities outside Hong Kong, at cost	**32,713**	72,629
	1,591,416	1,986,388
Less:		
Current portion of listed debt securities outside Hong Kong	**(1,169,266)**	–
Non-current portion of available-for-sale financial assets	**422,150**	1,986,388

Available-for-sale financial assets are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
HK dollar	**4,978**	26,144
US dollar	**1,558,703**	1,928,551
New Taiwan dollar	**9,134**	12,304
RMB	**18,601**	19,389
	1,591,416	1,986,388

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale.

None of the available-for-sale financial assets is either past due or impaired.

24 Advance to investee companies

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advances to investee companies	**2,145**	2,091	**–**	–

The carrying amount of the Group's advance to investee companies is denominated in HK dollar.

The loans and advances to investee companies as at 31 December 2007 and 2006 are interest-free, unsecured and repayable on demand. The carrying amounts of the loans and advances to investee companies approximate their fair values.

25 Other non-current assets

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long-term other receivables	**2,761**	2,592	**–**	–
Deferred expenses	**10,773**	16,306	**1,323**	3,980
Pension assets (note 35(a))	**2,270**	603	**–**	–
	15,804	19,501	**1,323**	3,980

26 Inventories

	Group	
	2007	2006
	HK$'000	HK$'000
Merchandise	**14,177**	15,026
Finished goods	**102,144**	103,794
Work in progress	**10,603**	11,248
	126,924	130,068

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$460,722,000 (2006: HK$473,805,000).

27 Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note c)	**556,734**	555,227	**–**	–
Prepayments, deposits and other receivables (note d)	**452,304**	432,906	**15,649**	14,153
	1,009,038	988,133	**15,649**	14,153

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

(b) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
HK dollar	**56,911**	70,735
US dollar	**25,604**	50,422
RMB	**641,688**	552,899
New Taiwan dollar	**284,835**	314,077
	1,009,038	988,133

27 Trade and other receivables (Continued)

(c) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

As at 31 December 2007, the ageing analysis of the Group's trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**180,517**	204,232
31-60 days	**133,840**	133,722
61-90 days	**72,817**	74,707
Over 90 days	**256,419**	222,204
	643,593	634,865
Less: Provision for impairment	**(86,859)**	(79,638)
	556,734	555,227

	Group	
	2007	2006
	HK$'000	HK$'000
Represented by:		
Receivables from an associated company	**–**	9,360
Receivables from related companies	**1,373**	598
Receivables from third parties	**555,361**	545,269
	556,734	555,227

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 Company Limited ("Cranwood"), amounted to HK$1,182,000 (2006: HK$419,000). Trade receivables from minority shareholders of subsidiaries of the Group amounted to HK$191,000 (2006: HK$179,000). These are related to sales of goods and services and licence fee income as shown in note 47(a).

27 Trade and other receivables (Continued)

(d) The Group balances include amounts due from jointly controlled entities, associated companies and related companies of HK$29,780,000 (2006: HK$83,000), HK$314,000 (2006: HK$301,000) and HK$17,441,000 (2006: HK$19,995,000) respectively. The total balances due from related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood amounted to HK$778,000 (2006: HK$754,000). The balances due from minority shareholders of subsidiaries of the Group amounted to HK$16,663,000 (2006: HK$19,241,000).

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.

The Group has assessed if there is any impairment on an individual customer basis based on ageing analysis of trade receivables balance, historical bad debt rates, repayment patterns, customer credit worthiness and industry trend analysis. As at 31 December 2007, the amount of the provision for bad and doubtful debts was HK$86,859,000 (2006: HK$79,638,000).

As at 31 December 2007, trade receivables of HK$169,560,000 (2006: HK$142,566,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2007	2006
	HK$'000	HK$'000
Overdue by:		
3 to 6 months	**94,380**	97,123
7 to 12 months	**75,180**	45,443
	169,560	142,566

27 Trade and other receivables (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Balance at beginning of the year	**79,638**	69,708
Provision for receivable impairment (note 7)	**7,070**	12,862
Amount written off during the year	**(4,018)**	(2,104)
Disposal of subsidiaries	**–**	(2,831)
Reclassify to assets held for sale	**–**	(251)
Exchange difference	**4,169**	2,254
Balance at end of the year	**86,859**	79,638

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

28 Restricted cash

At 31 December 2007, restricted cash represented bank deposits and cash of the Group totaling US$2,244,000 (approximately HK$17,500,000) (2006: US$2,344,000, or approximately HK$18,280,000), NT$8,400,000 (approximately HK$2,021,000) (2006: NT$9,515,000, or approximately HK$2,273,000) and RMB618,000 (approximately HK$655,000) (2006: RMB618,000, or approximately HK$618,000) which were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

In addition, included in the restricted cash of the Group in 2006 were (1) bank deposits and cash of the Group totaling approximately HK$14,043,000 pledged to a bank of securing banking facilities granted to an associated company; (2) an amount of US$300,000 (approximately HK$2,332,000), representing money held in escrow pursuant to tax warrants provided by the founder of Indiagames Limited ("Indiagames"), a former subsidiary.

29 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollar	**16,692**	16,760	**190**	258
US dollar	**786,866**	427,006	**60,795**	2,937
RMB	**903,972**	1,069,353	**–**	–
New Taiwan dollar	**120,866**	105,659	**–**	–
	1,828,396	1,618,778	**60,985**	3,195
Maximum exposure to credit risk	**1,825,549**	1,616,703	**60,985**	3,195

30 Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note b)	**267,926**	271,402	**–**	–
Other payables and accruals (note d)	**879,638**	674,507	**118,964**	54,822
	1,147,564	945,909	**118,964**	54,822

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

30 Trade and other payables (Continued)

(b) As at 31 December 2007, the ageing analysis of the Group's trade payables were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current	**117,373**	123,629
31-60 days	**46,432**	47,324
61-90 days	**27,428**	27,737
Over 90 days	**76,693**	72,712
	267,926	271,402

	Group	
	2007	2006
	HK$'000	HK$'000
Represented by:		
Payable to an associated company	**–**	3,116
Payable to related companies	**2,747**	286
Payable to third parties	**265,179**	268,000
	267,926	271,402

Total trade payables to related companies beneficially owned by HWL amounted to HK$2,747,000 (2006: HK$38,000). The balances due to minority shareholders of subsidiaries of the Group amounted to HK$Nil (2006: HK$248,000). These are related to purchases of goods and services as shown in note 47(b). The balance due to an associated company in 2006 mainly represented receipts of cash on behalf of the associated company.

30 Trade and other payables (Continued)

(c) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
HK dollar	**175,017**	105,176
US dollar	**20,040**	10,718
RMB	**637,004**	526,264
New Taiwan dollar	**315,503**	303,751
	1,147,564	945,909

(d) The Group balances include amounts due to a jointly controlled entity and related companies of HK$14,460,000 (2006: HK$2,898,000) and HK$28,274,000 (2006: HK$38,712,000) respectively. The total balance due to related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood, amounted to HK$24,818,000 (2006: HK$15,220,000). The balance due to minority shareholders of subsidiaries of the Group amounted to HK$3,456,000 (2006: HK$23,492,000).

The amounts due to a jointly controlled entity represent expenses paid on behalf of the Group by a jointly controlled entity and the amounts due to related companies arose from purchases of goods and services. These balances are unsecured, interest free and repayable on demand.

31 Short-term bank and other loans

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and other loans (note a)				
Secured	**725,111**	304,119	**–**	–
Unsecured	**1,790,887**	423,450	**1,730,480**	315,900
	2,515,998	727,569	**1,730,480**	315,900
The bank and other loans are denominated in the following currencies:				
United States dollar	**1,804,166**	590,562	**1,730,480**	315,900
Hong Kong dollar	**635,684**	–	**–**	–
RMB	**16,098**	29,457	**–**	–
New Taiwan dollar	**60,050**	107,550	**–**	–
	2,515,998	727,569	**1,730,480**	315,900

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

32 Other non-current liabilities

	Group	
	2007	2006
	HK$'000	HK$'000
Non-current portion of long-term bank loans (note a)	**837,674**	1,733,436
Convertible bonds (note 34)	**–**	191,023
Pension obligations (note 35(a))	**31,302**	28,827
	868,976	1,953,286

32 Other non-current liabilities (Continued)

(a) Long-term bank loans

	Group	
	2007	2006
	HK$'000	HK$'000
Secured	**707,277**	1,353,922
Unsecured	**596,657**	645,300
	1,303,934	1,999,222
Less: current portion of long-term bank loans	**(466,260)**	(265,786)
	837,674	1,733,436
The bank loans are repayable as follows:		
Within one year	**466,260**	265,786
In the second year	**435,151**	1,102,978
In the third to fifth year	**402,251**	472,105
Wholly repayable within 5 years	**1,303,662**	1,840,869
After the fifth year	**272**	158,353
	1,303,934	1,999,222

	Group	
	2007	2006
	HK$'000	HK$'000
The bank loans are denominated in the following currencies:		
Hong Kong dollar	**–**	850,000
United States dollar	**706,766**	503,408
New Taiwan dollar	**596,657**	645,300
Malaysian Ringgit	**511**	514
	1,303,934	1,999,222

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

33 Assets and liabilities held for sale

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

The disposal was completed and consideration of US$ 8.9 million (approximately HK$ 69 million) has been received in 2007. Loss on disposal amounted to HK$9,193,000 (note 7).

34 Convertible bonds

On 28 November 2003, a wholly-owned subsidiary of the Company issued convertible bonds (the "Convertible Bonds") in an aggregate principal amount of US$150,000,000 (approximately HK$1,170,000,000), which are unconditionally and irrevocably guaranteed by, and convertible into ordinary shares of the Company with par value of HK$0.10 each (the "Shares"). The Convertible Bonds bear interest at the rate of 0.5% per annum on the principal amount, 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 or 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.

Furthermore, the bond holders had the right to require the subsidiary to redeem all or some of the Convertible Bonds on 28 November 2006 at 102.31% of the principal amount.

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.

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 current liabilities in current year, was calculated using a market interest rate for an equivalent non-convertible bond. Such liability was included in current or non-current liabilities depending on the length of remaining period to maturity. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bonds reserve (note 39).

34 Convertible bonds (Continued)

The movements of the liability component of the Convertible Bonds for the year are set out below:

	2007 HK$'000	2006 HK$'000
Face value of Convertible Bonds upon initial recognition, net of arrangement fees	**1,142,801**	1,142,801
Equity component	**(179,036)**	(179,036)
Liability component upon initial recognition	**963,765**	963,765
Accumulated interest expense	**168,994**	158,874
Accumulated coupon interest paid	**(18,375)**	(17,370)
Buy-back of convertible bonds	**(47,846)**	(47,846)
Early redemption of convertible bonds	**(866,400)**	(866,400)
Carrying amount at 31 December	**200,138**	191,023

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.

35 Pension assets and obligations

The Group operates certain defined benefit pension plans in Hong Kong and Taiwan. 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 and Taiwan are valued by Watson Wyatt and KPMG Advisory Services Company Limited respectively.

35 Pension assets and obligations (Continued)

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

	Group 2007 HK$'000	Group 2006 HK$'000
Present value of funded obligations (note c)	**60,358**	55,021
Fair value of plan assets (note d)	**(31,616)**	(27,230)
Unrecognised prior service cost	**290**	433
Recognised in the consolidated balance sheet	**29,032**	28,224
Represented by:		
Pension assets (note 25)	**(2,270)**	(603)
Pension obligations (note 32)	**31,302**	28,827
	29,032	28,224

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

	Group 2007 HK$'000	Group 2006 HK$'000
Current service cost	**3,685**	4,301
Interest cost	**1,589**	1,658
Expected return on plan assets	**(1,434)**	(1,557)
Others	**(109)**	(144)
Total, included in staff costs (note 14)	**3,731**	4,258

The actual return on plan assets was HK$3,898,000 (2006: HK$2,138,000).

35 Pension assets and obligations (Continued)

(c) Movements in present value of the funded obligations in current year:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**55,021**	43,843
Exchange adjustment	**210**	729
Service cost	**3,685**	4,301
Interest cost	**1,589**	1,658
Actuarial loss	**1,915**	7,381
Others	**(2,062)**	(2,891)
At 31 December (note a)	**60,358**	55,021

(d) Movements in fair value of plan assets in current year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**27,230**	24,730
Exchange adjustment	**81**	293
Expected return on plan assets	**1,434**	1,557
Actuarial gain	**2,464**	581
Contribution by employer	**2,004**	2,780
Others	**(1,597)**	(2,711)
At 31 December (note a)	**31,616**	27,230

The estimated contribution by the Group for the year 2008 will be amounted to HK$1,817,000.

35 Pension assets and obligations (Continued)

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

	Group	
	2007	2006
Cash/Treasury	**66%**	64%
Equities	**28%**	29%
Bonds	**6%**	7%

The principal actuarial assumptions used are as follows:

	Group	
	2007	2006
Discount rate	**2.75%-3.3%**	2.5%-3.75%
Expected rate of return on plan assets	**2.75%-8.0%**	2.5%-8.0%
Expected rate of future salary increases	**3.0%-5.0%**	2.5%-4.0%

The expected return on plan assets is based on market expectations for returns and long-term benchmark allocation of equities and bonds in each plan and allowing for administration fees and other expenses charged to the plans.

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

	2007	2006	2005
	HK$'000	HK$'000	HK$'000
Defined benefit obligation	**(60,358)**	(55,021)	(43,843)
Plan assets	**31,616**	27,230	24,730
Deficit	**(28,742)**	(27,791)	(19,113)
Experience adjustments on plan liabilities	**(1,075)**	(6,423)	5,394
Experience adjustments on plan assets	**2,464**	581	28

36 Deferred taxation

(a) Deferred tax assets

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**42,896**	38,086
Exchange adjustment	**1,122**	539
Credited to consolidated profit and loss account (note c)	**10,081**	4,271
At 31 December	**54,099**	42,896
Amount to be recovered after more than one year	**11,688**	5,220

(b) Deferred tax liabilities

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**11,617**	9,720
Exchange adjustment	**209**	207
Charged to consolidated profit and loss account (note c)	**2,806**	1,690
At 31 December	**14,632**	11,617
Amount to be payable after more than one year	**14,632**	11,617

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

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax assets (note a)	**10,081**	4,271
Deferred tax liabilities (note b)	**(2,806)**	(1,690)
Deferred taxation credited to consolidated profit and loss account (note 9)	**7,275**	2,581

36 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	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1 January	91	91	43,007	38,197	43,098	38,288
Exchange adjustment	–	–	1,122	539	1,122	539
Credited to consolidated profit and loss account	2,792	–	7,592	4,271	10,384	4,271
At 31 December	2,883	91	51,721	43,007	54,604	43,098

Deferred income tax assets are recognised for tax losses carried 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 2007 of HK$3,248,742,000 (2006: HK$3,004,431,000) 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	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
At 1 January	–	41	11,819	9,881	11,819	9,922
Exchange adjustment	–	–	209	207	209	207
(Credited)/charged to consolidated profit and loss account	227	(41)	2,882	1,731	3,109	1,690
At 31 December	227	–	14,910	11,819	15,137	11,819

36 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:

	2007 HK$'000	2006 HK$'000
Deferred tax assets	**54,099**	42,896
Deferred tax liabilities	**(14,632)**	(11,617)
	39,467	31,279

37 Share capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2007 and 2006	5,000,000,000	500,000

Company – Issued and fully paid

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2007 and 2006	3,893,270,558	389,328

38 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 employee of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares of 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 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 of the Company 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 approximately 10% of the issued share capital of the Company at the date of approval of the New Option Scheme.

38 Share option schemes (Continued)

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

Movements in share options are as follows:

	2007		2006	
Pre-IPO Share Option Plan	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	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

	2007		2006	
Old Option Scheme	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	Number of share options
Outstanding at 1 January	3.32	150,648,000	3.30	164,682,000
Lapsed	2.55	(5,000,000)	2.54	(10,118,000)
Cancelled	3.12	(80,286,000)	4.42	(3,916,000)
Outstanding at 31 December	3.62	65,362,000	3.32	150,648,000
Exercisable at 31 December	3.62	65,362,000	3.34	145,648,000

38 Share option schemes (Continued)

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

Terms of the share options outstanding at 31 December 2007 are:

Expiry date	Exercise price	2007	2006
10 February–14 November 2010	HK$1.78 – HK$11.30	**38,818,000**	46,880,000
6 February 2012	HK$3.76	**–**	20,000,000
8 October 2013	HK$2.505	**37,740,000**	89,964,000
15 February 2014	HK$2.55	**5,000,000**	10,000,000
		81,558,000	166,844,000
Weighted average remaining contractual life (year)		**4.23**	5.68

(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.

As at 31 December 2006, options to subscribe for a total of 181,247,231 and 18,000,000 were issued and outstanding pursuant to the Pre-IPO Share Option Plan and Share Option Scheme, respectively.

In 2007, upon the privatisation of TOM Online (note 42(a)), all of these share options were cancelled.

38 Share option schemes (Continued)

(b) Details of TOM Online's pre-IPO share option plan and share option scheme (Continued)

Movements in share options are as follows:

Pre-IPO Share Option Plan	2007 Weighted average exercise price HK$	2007 Number of share options	2006 Weighted average exercise price HK$	2006 Number of share options
Outstanding at 1 January	1.5	181,247,231	1.50	220,457,181
Exercised	–	–	1.50	(35,122,423)
Lapsed	–	–	1.50	(4,087,527)
Cancelled	1.5	(181,247,231)	–	–
Outstanding at 31 December	–	–	1.50	181,247,231
Exercisable at 31 December	–	–	1.50	69,555,689

Share Option Scheme	2007 Weighted average exercise price HK$	2007 Number of share options	2006 Weighted average exercise price HK$	2006 Number of share options
Outstanding at 1 January	1.204	18,000,000	–	–
Granted	–	–	1.204	18,000,000
Cancelled	1.204	(18,000,000)	–	–
Outstanding at 31 December	–	–	1.204	18,000,000
Exercisable at 31 December	–	–	–	–

38 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 (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 based compensation costs recognised during the year amounted to HK$13,692,000 (2006: HK$25,474,000).

39 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 bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	3,625,981	96,567	776	99,839	(50,195)	4,462	174,327	(1,445,055)	2,506,702
Investment revaluation surplus	–	–	–	–	6,029	–	–	–	6,029
Employee share option schemes – value of employee services	–	17,757	–	–	–	–	–	–	17,757
Profit for the year	–	–	–	–	–	–	–	31,961	31,961
Net actuarial gain on defined benefit plan	–	–	–	–	–	–	–	(5,366)	(5,366)
Partial buy-back and redemption of Convertible Bonds	–	–	–	–	–	–	(143,448)	50,617	(92,831)
Transfer to general reserve	–	–	–	11,167	–	–	–	(11,167)	–
Exchange difference	–	–	–	279	176	79,615	–	–	80,070
Reserve realised upon disposal	–	–	–	–	167	–	–	–	167
Contribution from a minority shareholder	–	184	–	–	–	–	–	–	184
At 31 December 2006	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
At 1 January 2007	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
Investment revaluation surplus	–	–	–	–	29,447	–	–	–	29,447
Employee share option schemes – value of employee services	–	10,202	–	–	–	–	–	–	10,202
Loss for the year	–	–	–	–	–	–	–	(297,371)	(297,371)
Net actuarial gain on defined benefit plan	–	–	–	–	–	–	–	954	954
Transfer to general reserve	–	–	–	12,009	–	–	–	(12,009)	–
Cancellation of share option	–	(86,303)	–	–	–	–	–	86,303	–
Exchange difference	–	–	–	161	(5)	134,871	–	–	135,027
Reserve realised upon disposal	–	(53)	–	–	(756)	5,399	–	–	4,590
At 31 December 2007	3,625,981	38,354	776	123,455	(15,137)	224,347	30,879	(1,601,133)	2,427,522

39 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 2006	4,100,475	34,944	23,565	776	(2,252,663)	1,907,097
Employee share option schemes – value of employee services	–	2,916	–	–	–	2,916
Loss for the year	–	–	–	–	(285,992)	(285,992)
At 31 December 2006	4,100,475	37,860	23,565	776	(2,538,655)	1,624,021
At 1 January 2007	4,100,475	37,860	23,565	776	(2,538,655)	1,624,021
Employee share option schemes – value of employee services	–	740	–	–	–	740
Loss for the year	–	–	–	–	(247,836)	(247,836)
At 31 December 2007	4,100,475	38,600	23,565	776	(2,786,491)	1,376,925

Note:

The Company's reserves available for distribution calculated under Companies Law of the Cayman Islands comprise the share premium account and contributed surplus, less accumulated losses totalling HK$1,337,549,000 (2006: HK$1,585,385,000).

40 Own shares held

	No. of shares	HK$'000
At 1 January 2006 and 31 December 2006	3,043,771	6,244
At 1 January 2007 and 31 December 2007	3,043,771	6,244

41 Minority interests

	2007 HK$'000	2006 HK$'000
At 1 January	1,394,021	1,017,497
(Loss)/profit for the year attributable to minority interests	(25,523)	87,654
Exchange difference	46,052	45,082
Revaluation surplus on available-for-sale financial assets	4,654	1,264
Actuarial loss on defined benefit plan	(405)	(1,125)
Recognised income and expense attributable to minority interests	24,778	132,875
Acquisition of interests in subsidiaries (note 43(b))	(716,842)	10,560
Dividend to minority interests	(13,742)	(31,425)
Exercise of share option of a subsidiary granted to employees	–	32,990
Reclassification from loans from a minority shareholder	–	15,967
Deemed disposal of interests in subsidiaries	–	177,198
Disposal of interests in subsidiaries (note 43(c))	(17,717)	31,188
Employee share option scheme-value of employee services attributable to minority interests	3,490	7,717
Contribution from minority interests	14,201	–
Others	(409)	(546)
At 31 December	687,780	1,394,021

42 Business combinations and acquisitions

(a) Acquisition of additional interest in TOM Online Inc. ("TOMO")

In August 2007, a privatisation plan ("Privatisation Plan") to acquire 24.27% ordinary share capital of TOMO was duly approved by an extra-ordinary general meeting held by the shareholders of TOMO. The Privatisation Plan was executed in September 2007, as a result the Group's equity interest in TOMO has increased from 65.73% to 90.002%.

The costs of acquisition is analysed as follows:

	HK$'000
Minority interests acquired	717,821
Cost of acquisitions	
Purchase considerations	1,576,682
Other directly attributable costs	37,995
	1,614,677
Goodwill	896,856

The goodwill is attributable to the future profitability of TOMO.

(b) Acquisition of Pixnet Digital Media Corporation ("Pixnet")

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

42 Business combinations and acquisitions (Continued)

(b) Acquisition of Pixnet Digital Media Corporation ("Pixnet") (Continued)

The allocation of costs of acquisitions is as follows:

	HK$'000
Fixed assets (note 16)	398
Trade and other receivables	35
Bank balances and cash	27,321
Trade and other payables	(41)
Minority Interests	(2,771)
	24,942
Cost of acquisition	
Purchase consideration	31,968
Goodwill	7,026

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

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

The Group's share of Pixnet's net assets as at 31 December 2007, post acquisition turnover and loss for the period ended 31 December 2007 amounted to approximately HK$16,386,000, HK$1,764,000 and HK$4,520,000 respectively.

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

(c) Acquisition of additional interest in Mook Publications Co. ("Mook")

In September 2007, Cite Publishing Limited, in which the Group has an 82.5% interest, entered into an agreement to acquire an additional 16.68% interests in Mook for a consideration of NT$7,507,500 (approximately HK$1,792,000). The acquiree's book values of net assets acquired at the date of acquisition approximate their fair values. As a result of the acquisition, Cite Publishing Limited's interest in Mook increased from 83.32% to 100%.

43 Notes to the consolidated cash flow statement

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

	2007 HK$'000	2006 HK$'000 (As restated)
Operating (loss)/profit:		
From continuing operations	(92,080)	331,907
From discontinued operations	(9,047)	(34,217)
	(101,127)	297,690
Net gain on deemed disposals of interests in subsidiaries	–	(24,601)
Amortisation and depreciation	165,043	167,903
Share of losses of jointly controlled entities	104,303	758
Share of profits less losses of associated companies	(17,674)	(9,876)
Provision for impairment of assets held for sale	–	36,044
Provision for impairment of goodwill and other assets	163,697	–
Loss on disposal of fixed assets	5,774	5,407
Loss on disposal of non-current assets	1,076	–
Gain on early redemption and buy-back of convertible bonds	–	(20,669)
Share-based compensation	13,692	25,474
Gain on exercises of share options of TOM Online	–	(19,694)
Loss/(gain) on disposal of a subsidiary (note c)	9,193	(14,698)
Gain on disposal of available-for-sale financial assets	(26,029)	(90)
Interest income	(93,990)	(108,812)
From discontinued operations		
Amortisation and depreciation	48	581
Loss on disposal of subsidiaries (note c)	1,901	–
Interest income	(491)	(593)
Share of loss of an associated company	–	899
Provision for impairment of assets	–	11,000
Adjusted operating profit before working capital changes	225,416	346,723
(Increase)/decrease in long-term receivables	(169)	39,756
Increase in pension assets	(1,667)	(570)
Decrease/(increase) in inventories	3,144	(13,130)
(Increase)/decrease in trade and other receivables	(48,661)	161,085
Increase in trade and other payables	99,513	28,534
Increase in pension obligations	3,024	2,625
Exchange adjustments	65,985	57,696
Net cash inflow from operations	346,585	622,719

43 Notes to the consolidated cash flow statement (Continued)

(b) Acquisition of interests in subsidiaries

	2007 HK$'000	2006 HK$'000
Net assets acquired:		
Fixed assets (note 16)	398	5,534
Other intangible assets (note 18)	–	26,952
Trade and other receivables	35	13,781
Bank balances and cash	27,321	48,256
Trade and other payables	(41)	(34,675)
Taxation payables	–	(186)
Minority interests (note 41)	716,842	(10,560)
	744,555	49,102
Goodwill (note 17)	1,085,139	242,963
	1,829,694	292,065
Satisfied by:		
Cash	1,610,442	191,881
Payables and direct costs incurred	219,252	98,669
Other receivables	–	1,515
	1,829,694	292,065
Analysis of the net cash outflow in respect of the acquisition of subsidiaries:		
Cash consideration	(1,610,442)	(191,881)
Bank balances and cash acquired	27,321	48,256
Net cash outflow in respect of acquisition of subsidiaries	(1,583,121)	(143,625)

The subsidiaries acquired during the year contributed HK$7,285,000 (2006: net operating cash inflows of HK$44,501,000) to the Group's net operating cash outflows.

43 Notes to the consolidated cash flow statement (Continued)

(c) Disposal of subsidiaries/a subsidiary

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Goodwill (note 17)	**85,117**	27,493
Fixed assets	**3,247**	–
Other intangibles assets (note 18)	**27,300**	–
Other non-current assets	**47,358**	–
Inventories	**–**	142
Trade and other receivables	**49,120**	12,925
Bank balances and cash	**4,083**	8,344
Trade and other payables	**(16,734)**	(78,506)
Taxation payable	**3,217**	–
Minority interests (note 41)	**(17,717)**	31,188
Exchange reserve	**5,399**	–
	190,390	1,586
(Loss)/gain on disposal of interests in subsidiaries (note a)	**(11,094)**	14,698
	179,296	16,284
Satisfied by:		
Available-for-sale financial assets	**–**	16,284
Consideration receivable	**886**	–
Cash	**189,519**	–
Direct cost incurred	**(11,109)**	–
	179,296	16,284
Analysis of the net cash inflow/(outflow) in respect of the disposal of subsidiaries:		
Cash consideration	**189,519**	–
Bank balances and cash disposed of	**(4,083)**	(8,344)
Net cash inflow/(outflow) in respect of disposal of interests in subsidiaries	**185,436**	(8,344)

43 Notes to the consolidated cash flow statement (Continued)

(d) Analysis of changes in financing during the year

	Share capital including premium and capital reserve HK$'000	Bank and other loans HK$'000	Convertible bonds HK$'000	Loans from a minority shareholder HK$'000	Total HK$'000
At 1 January 2006	4,105,632	1,652,628	1,032,803	9,946	6,801,009
New bank and other loans	–	1,431,211	–	6,021	1,437,232
Loan repayments	–	(379,022)	–	–	(379,022)
Net cash from financing activities	–	1,052,189	–	6,021	1,058,210
Buy-back and early redemption of convertible bonds	–	–	(886,840)	–	(886,840)
Employees share option schemes – value of employee services	17,757	–	–	–	17,757
Interest expenses for the year, net of interest payment	–	–	45,060	–	45,060
Minority interests in other reserves	184	–	–	–	184
Reclassification to minority interests	–	–	–	(15,967)	(15,967)
Exchange adjustment	–	21,974	–	–	21,974
	17,941	21,974	(841,780)	(15,967)	(817,832)
At 31 December 2006	4,123,573	2,726,791	191,023	–	7,041,387

43 Notes to the consolidated cash flow statement (Continued)

(d) Analysis of changes in financing during the year (Continued)

	Share capital including premium and capital reserve HK$'000	Bank and other loans HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 January 2007	4,123,573	2,726,791	191,023	7,041,387
New bank and other loans	–	1,706,934	–	1,706,934
Loan repayments	–	(621,166)	–	(621,166)
Net cash from financing activities	–	1,085,768	–	1,085,768
Employees share option schemes – value of employee services	10,202	–	–	10,202
Realised upon cancellation of employee's share option	(86,303)	–	–	(86,303)
Interest expenses for the year, net of interest payment	–	–	9,115	9,115
Exchange adjustment	–	7,373	–	7,373
Realised upon disposal	(53)	–	–	(53)
	(76,154)	7,373	9,115	(59,666)
At 31 December 2007	4,047,419	3,819,932	200,138	8,067,489

44 Pledge of assets

Save as disclosed in note 28, the Group has the following pledge of assets:

(a) At 31 December 2007, available-for-sale financial assets with a total market value of approximately HK$1,558,703,000 (2006: HK$1,758,646,000) were pledged to banks for securing bank loans totalling HK$ 1,416,000,000 (2006: HK$1,628,071,000).

(b) At 31 December 2007, concession rights and properties with a total net book value of HK$Nil (2006: HK$7,588,000) and HK$851,000 (2006: HK$11,003,000), respectively were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

45 Contingent liabilities

(a) As at 31 December 2007, the Group has no material contingent liabilities. As at 31 December 2006, the Group has contingent liabilities amounting to approximately HK$14,043,000 in respect of the provision of fixed deposits as securities for bank loans granted to an associated company.

(b) The Company did not have any contingent liability at 31 December 2007 and 2006.

46 Commitments

(a) Capital commitments

Save as disclosed in note (b) below, the Group's maximum capital commitments as at 31 December 2007 are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Acquisition of/loans to new investments		
- Contracted but not provided for	**200,196**	375,150
Acquisition of fixed assets and other intangible assets		
- Contracted but not provided for	**–**	1,196
- Authorised but not contracted for	**248,856**	295,892
	449,052	672,238

46 Commitments (Continued)

(b) Joint venture ("Joint Venture") with Ebay International AG ("eBay")

On 20 December 2006, TOMO entered into a deed with an independent third party, eBay, to form a Joint Venture which will carry on the business of owning and operating a mobile and Internet-based marketplace in Mainland China. The Joint Venture will be 51% owned by TOMO while the remaining 49% interest will be owned by eBay, and is to be jointly controlled by both parties.

The Group believes that the Joint Venture will enable the Group to enlarge its wireless market share and increase its revenues from wireless Internet service.

Following the formation of the Joint Venture, eBay will provide an initial funding of US$40,000,000 (equivalent to HK$312,000,000) in cash to the Joint Venture while TOMO will provide an initial shareholder's loan of US$20,000,000 (equivalent to HK$156,000,000) to the Joint Venture. TOMO and eBay will contribute an additional shareholder's loan not exceeding US$10,000,000 to the Joint Venture in total in equal proportion, subject to a mutual agreement between both parties once the Joint Venture uses up its initial funding from both parties.

As at 31 December 2007, no shareholder's loan from TOMO has been advanced to the Joint Venture yet. Therefore, the commitment of the Group in respect of the Joint Venture including shareholder's loan, totalled US$20,000,000 (equivalent to HK$156,000,000).

(c) Commitments under operating leases

At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007		2006	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
Not later than one year	**50,586**	**93,065**	29,911	93,345
Later than one year and not later than five years	**36,521**	**148,100**	25,136	154,416
Later than five years	**–**	**9,462**	–	11,928
	87,107	**250,627**	55,047	259,689

(d) The Company did not have any commitments at 31 December 2007 (2006: HK$Nil).

47 Related party transactions

A summary of other significant related party transactions, in addition to those disclosed in notes 27, 28 and 30 to the accounts, is set out below:

(a) Sales of goods and services and licence income

	Group	
	2007	2006
	HK$'000	HK$'000
Sales to		
- HWL and its subsidiaries	**14,004**	9,277
- CKH and its subsidiaries	**9**	212
Minority shareholders of subsidiaries and their subsidiaries	**5,006**	–
Licence fee income from		
- an associated company	**–**	9,360

Year-end balances due from these related companies arising from sales of goods and services and licence income are shown in note 27(c).

(b) Purchase of goods and services

	Group	
	2007	2006
	HK$'000	HK$'000
Purchase of services payable to		
- minority shareholders of subsidiaries and their subsidiaries	**–**	526
- related companies of minority shareholders of subsidiaries	**398**	434
Rental payable to		
- an associated company of CKH	**10,982**	11,011
- a subsidiary of CKH	**7,424**	4,140
- minority shareholders of subsidiaries and their subsidiaries	**1,077**	1,284
Service fees payable to		
- HWL and its subsidiaries	**8,759**	10,868
- minority shareholders of subsidiaries and their subsidiaries	**476**	134
Interest expenses payable to minority shareholders of subsidiaries and their subsidiaries	**1,404**	1,097

Year-end balances due to these related companies arising from purchase of goods and services are shown in notes 30(b) and 30(d).

47 Related party transactions (Continued)

(c) Key management compensation

Management considers remuneration to all key management of the Group has already been disclosed in note 15.

48 Subsequent events

Apart from the acceptance of a new banking facility of US$160 million (approximately HK$1,248 million) as mentioned in note 1(a), there are no other subsequent events after the balance sheet date which have material impacts to the consolidated accounts.

49 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

50 Approval of accounts

The accounts were approved by the board of directors on 26 March 2008.

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	tom.com enterprises limited	British Virgin Islands ("BVI"), limited liability company	Holding of the domain name of www.tom.com	1 ordinary share of US$1	100%
	TOM Group International Limited	Hong Kong, limited liability company	Operation of tom.com portal and management of strategic investments of the Group in Greater China	10 ordinary shares of HK$1 each	100%
	TOM Holdings Limited	Cayman Islands ("CI"), limited liability company	Issuer of guaranteed convertible bonds	2 ordinary shares of US$1 each	100%
	Internet Group				
	Advanced Internet Services Limited	Hong Kong, limited liability company	Investment holding in Mainland China	10,000,000 ordinary shares of US$0.01 each	90.002%
@	Beijing Bo Xun Rong Tong Information Technology Company Limited	Mainland China, limited liability company	Provision of wireless internet services in Mainland China	Registered capital RMB10,000,000	90.002%
	Beijing GreaTom United Technology Company Limited	Mainland China, limited liability company	Development of operating platform for broadband Internet value – added services in Mainland China	Registered capital RMB25,000,000	81%
@	Beijing Lei Ting Wan Jun Network Technology Limited	Mainland China, limited liability company	Provision of Internet content services, online advertising services and telecom value – added services in Mainland China	Registered capital RMB100,000,000	90.002%
@	Beijing LingXun Interactive Science Technology and Development Company Limited	Mainland China, limited liability company	Provision of wireless internet services in Mainland China	Registered capital RMB10,000,000	90.002%
@	Beijing Lei Ting Wu Ji Network Technology Company Limited	Mainland China, limited liability company	Provision of wireless IVR services in Mainland China	Registered capital RMB10,000,000	90.002%

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Internet Group (Continued)				
@	Beijing Redsail Netlegend Data Network Technology Company Limited	Mainland China, limited liability company	Provision of interactive call center services in Mainland China	Registered capital RMB62,800,000	100%
	Beijing Super Channel Network Limited	Mainland China, limited liability company	Development of software information system, computer network and website products in Mainland China	Registered capital US$13,000,000	90.002%
	Cernet Information Technology Company Limited	Mainland China, limited liability company	Provision of system integration and consultancy services in Mainland China	Registered capital RMB60,000,000	51%
	Eclink Electronic Network Systems (Shenzhen) Company Limited	Mainland China, limited liability company	Software, electronics and computer network system development in Mainland China	Registered capital US$3,000,000	100%
	TOM.COM (China) Investment Limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered capital US$30,000,000	90.002%
	TOM Online Inc.	CI, limited liability company	Investment holding in Mainland China	4,259,654,528 ordinary shares of HK$0.01 each	90.002%
@	Shenzhen Freenet Information Technology Company Limited	Mainland China, limited liability company	Operation of 163.net and e-mails service provider in Mainland China	Registered capital RMB23,000,000	90.002%
@	Startone (Beijing) Information Technology Company Limited	Mainland China, limited liability company	Provision of wireless internet services in Mainland China	Registered capital RMB10,000,000	90.002%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Outdoor Media Group				
@	Beijing TOM International Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	65%
@	Changchun TOM New Star Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	39%
@	Fujian TOM Seeout Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	45.5%
@	Guangzhou TOM Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	65%
@	Henan New Tianming Advertising & Information Chuanbo Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB6,000,000	32.5%
@	Kunming Tom-Fench Media Company Limited (formerly known as Kunming Fench Media Company Limited)	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	65%
@	Kunming Fench Star Information Industry Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	65%
@	Liaoning New Star Guangming Media Assets Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB10,000,000	39%
@	Shandong TOM Longjun Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	39%

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Outdoor Media Group (Continued)				
	Shanghai TOM Haosheng Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	33.15%
@	Shanghai TOM International Outdoor Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	65%
@	Shenyang TOM Sano Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	39%
	Shenzhen TOM Ray Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	33.15%
@	Sichuan Tom Southwest Outdoor Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	45.5%
@	Wuhan TOM Outdoor Information & Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	55.25%
@	Xiamen TOM Bomei Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB2,500,000	39%
	TOM Outdoor Media Group Limited	BVI, limited liability company	Investment holding in Mainland China	100 ordinary shares of US$1 each	65%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Publishing Group				
	Bookworm Club Co., Ltd	Taiwan, limited liability company	Distribution and retailing of books and magazines in Taiwan	100,000 ordinary shares of NT$10 each	82.53%
#	China Popular Computer Week Management Company Limited	Mainland China, limited liability company	Advertising sales and distribution of publication products in Mainland China	Registered capital RMB30,000,000	48.50%
	Cité Publishing Holding Limited	BVI, limited liability company	Investment holding in Taiwan	4,999,563 ordinary shares of US$0.01 each	82.55%
	Cité Publishing Limited	Taiwan, limited liability company	Publishing of books in Taiwan	28,171,506 ordinary shares of NT$10 each	82.53%
	廣州城邦文化傳播有限公司	Mainland China, limited liability company	Provision of consulting services relating to publishing, distribution, marketing of books and system integration in Mainland China	Registered capital HK$1,000,000	82.55%
	Home Media Group Limited	CI, limited liability company	Advertising sales and distribution of publications	986,922,602 ordinary shares of US$0.00001 each	82.53%
	Nong Nong Magazine Company Limited	Taiwan, limited liability company	Publishing of magazines in Taiwan	2,500,000 ordinary shares of NT$10 each	66.02%
	Shanghai TOM Cite Consulting Limited	Mainland China, limited liability company	Publication products design, promotion and information consultancy services in Mainland China	Registered capital US$200,000	100%
	Cup Magazine Publishing Limited	Hong Kong, limited liability company	Publishing of magazines in Hong Kong	2 ordinary shares of HK$1 each	100%

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Television and Entertainment Group				
@	廣東羊城報業體育發展有限公司	Mainland China, limited liability company	Advertising, corporate image design and sale of products in Mainland China	Registered capital RMB5,000,000	80%
@	廣東羊城廣告有限公司	Mainland China, limited liability company	Advertising, corporate image design and sale of products in Mainland China	Registered capital RMB5,000,000	80%
	Aiya Media (HK) Limited (formerly known as Chi-Chi Dei Entertainment Limited)	Hong Kong, limited liability company	Provision of media programme production and distribution services in Asia	10,000 ordinary shares of HK$1.00 each	60%
	China Entertainment Television Broadcast Limited	Hong Kong, limited liability company	Operation of satellite television channels and provision of content and television programmes to various platforms including satellite television and syndication network	34,043 ordinary shares of HK$0.3 each	68.34%
	YCP Advertising Limited	Hong Kong, limited liability company	Advertising, event management and media buying business in Mainland China and Hong Kong	10 ordinary shares of HK$1 each	80%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
Television and Entertainment Group (Continued)				
TOM Digital Media Center Limited	Hong Kong, limited liability company	Provision of television channel organisation and satellite television transmission services	2 ordinary shares of HK$1 each	100%

[1] Jointly controlled entity

\# Associated company

@ The equity interest is held by individual nominees on behalf of the Group

The above table lists the principal subsidiaries, jointly controlled entities and associated companies of the Group at 31 December 2007 which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries, jointly controlled entities and associated companies would, in the opinion of the directors of the Company, result in particulars of excessive length.

Except for tom.com enterprises limited, TOM Group International Limited, TOM Holdings Limited and TOM Online Inc. which are directly held by the Company, the interests in the remaining subsidiaries, jointly controlled entities and associated companies are held indirectly.

DEFINITIONS

"Associates"	has the meaning ascribed to it in the Listing Rules
"CETV"	means China Entertainment Television Broadcast Limited
"CKH"	means Cheung Kong (Holdings) Limited
"Company" or "TOM"	means TOM Group Limited
"Directors"	means the directors of the Company
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"Group" or "TOM Group"	means the Company and its subsidiaries
"HWL"	means Hutchison Whampoa Limited
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means the main board of the Stock Exchange
"Mainland China" or "PRC"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"TOM International"	means TOM Group International Limited
"TOM Online" or "TOMO"	means TOM Online Inc.

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