ANNUAL REPORT 2008

互聯網
internet
outdoor media
出版
publishing
戶外傳媒
tv & entertainment
電視及娛樂

tom®

TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code:2383

CONTENTS

Corporate Information

Board of Directors

Chairman

Frank John Sixt

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

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

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

Auditor

PricewaterhouseCoopers

Registered Office

P. O. Box 309

Ugland House

South Church Street, George Town

Grand Cayman

Cayman Islands

British West Indies

Head Office and Principal Place of Business

48/F., The Center

99 Queen's Road Central

Central

Hong Kong

Tel: 852 2121 7838

Fax: 852 2186 7711

Share Registrars

Computershare Hong Kong Investor Services Limited

Rooms 1712–1716, 17/F.

Hopewell Centre

183 Queen's Road East

Wanchai

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

TOM Group Limited

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 3,300 employees in about 20 cities.

INTERNET

TOM Group's internet arm operates the most comprehensive internet platform for applications in Mainland China. Targeting the young, trendy and technology-savvy demographic, it serves around 300 million online users. TOM's internet portal has been upgraded and is transitioning to a tool- and user-centric widgetised open platform.

TOM's wireless division ranks among top three in the industry. Serving a huge wireless user base of some 400 million people, TOM offers a range of quality products and services including SMS, MMS, WAP, IVR, RBT, and J2ME.

TOM has acquired the exclusive rights to operate the official NBA websites in Mainland China, Taiwan and Hong Kong. With the introduction of live broadcast of games and various social networking and creative features, these NBA sites provide sports fans with the best digital experience in communication, interaction and sharing.

TOM-Skype is a leading online communications application developed for the Chinese market, offering localised services to its huge user base of 80 million.

Founded on our experienced local operation and international management, TOM Eachnet is a trusted C2C e-commerce platform in Mainland China that offers customers the highest quality online shopping experience with innovative, localised services.

By integrating the world's most advanced internet technologies to underpin a comprehensive range of premium products and services, TOM has successfully developed a differentiated internet platform that delivers a seamless online-to-mobile user experience and innovative advertising solutions.

PUBLISHING

TOM Group has a well-established publishing platform in Greater China. Its publishing unit, Cite, is the largest book and magazine publisher in Taiwan. During the year, Cite published nearly 40 magazines and printed more than 20 million copies. It also launched more than 2,000 new book titles, as part of a total catalogue of nearly 20,000 titles. Over 13 million book copies were printed.

The health book *Dr. Tom Wu's Principles of Natural Cure* achieved a sales volume of 590,000 over the year, while an aggregate of over 230,000 copies of the novel *Twilight* and its second episode *New Moon* have been printed as at early 2009. Cite's flagship magazine *Business Weekly* won the SOPA Awards for "Excellence in Feature Writing", "Excellence in Reporting Breaking News" and "Excellence in Magazine Design" in 2008. The magazine also received the "News In-depth Reporting Award" from the Vivian Wu Journalism Award, "Excellent News Coverage Award" in the print media category of Excellent Journalism Award and "Award for Editorial Excellence" in the magazine category of the 32nd Golden Tripod Awards. Meanwhile, the Group extended its presence in the China market by publishing a variety of popular periodicals including *DG Best* and *International Wrist Watch*. In Hong Kong, the flagship *CUP* is the magazine of choice among sophisticates.

Pixnet, a leading social networking website in Taiwan, not only acts as a pre-marketing and pre-research platform for new books but also produces online social networking channels for magazines launched by the Group. The site is currently one of the two highest quality and most trafficked social networking sites in Taiwan, with the most popular artists and off-screen celebrities. Pixnet cooperates with more than half of Taiwan's music companies and is rapidly expanding its partnerships with agents, TV channels and film companies.

OUTDOOR MEDIA

TOM Outdoor Media Group ("OMG") is a leading outdoor advertising operator in China with over 300,000 square metres of media asset space. The group has an advertising presence in more than 60 major cities in Mainland China. Together with the 15 subsidiaries established in first-tier cities including Beijing, Shanghai, Shenzhen; in second- and third-tier cities such as Chengdu, Kunming, Chongqing and Shenyang, OMG provides professional one-stop media solutions to local and multinational corporations.

OMG operates a nationwide network of diversified and quality advertising assets from billboard to unipoles. It has continued to strengthen and expand its media portfolio by acquiring premium assets in leading second-tier cities, underpinned by the acquisition of over 140 units of media assets including billboards, unipoles and light boxes in Fuzhou Airport, totalling over 3,500 square metres to capture cross-strait opportunities. As a market leader, OMG focuses on developing high-margin quality and innovative media assets.

OMG has received numerous awards in Mainland China including Silver, Bronze and 12 Merit awards in the "China Advertising Great Wall Award" at the 15th China Advertising Festival. The company and its subsidiaries were also awarded a total of seven of the 24 awards presented at "Innovative Outdoor Media in China 2008 – Final" organised by Asia Outdoor magazine.

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 the Chinese community in the Asia Pacific region.

CETV leads the way in programme delivery by introducing first-run and exclusive popular dramas to audiences. Leveraging TOM's unique media platform coupled with the strengths of the Group's internet and wireless businesses, CETV will actively explore opportunities for combining traditional and new media elements in innovative initiatives. By teaming up with local and overseas media players, the TV channel aims to provide all-round and interactive entertainment over a multimedia platform.

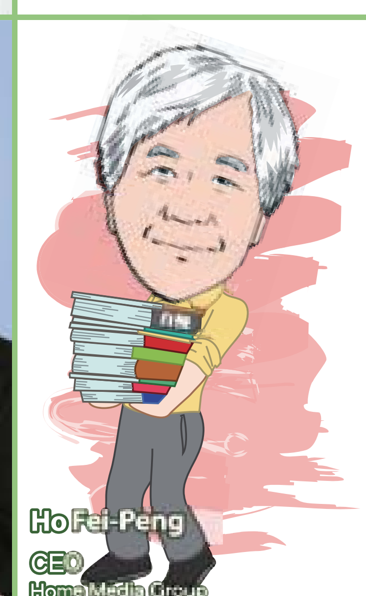
As the first foreign satellite television channel granted landing rights into the cable systems of Guangdong, CETV has secured nationwide distribution via the Central Platform, covering hotels and foreign apartment compounds. Its programme syndication network has been expanded from Greater China, Asia and Europe into North America.

Yangcheng ("YC"), an integrated communications business under the Television & Entertainment Group, is a preferred professional agency for international brands in 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- and fourth-tier cities across China.

MANAGEMENT TEAM



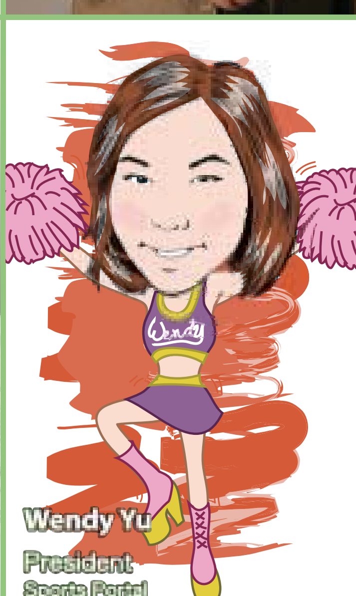


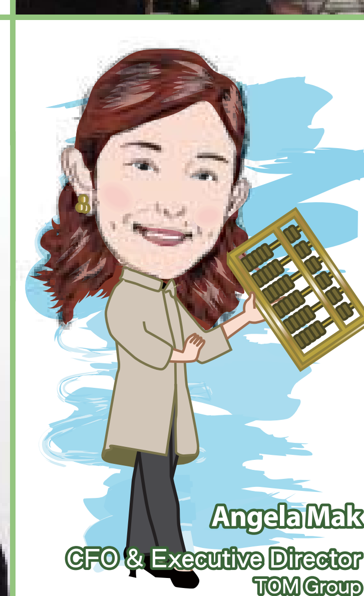




Yeung Kwok Mung, Ken
CEO & Executive Director
TOM Group


Richard Lee
President
TV & Entertainment
Group Sales Director
TOM Group


Feng Jue, Elaine
Director & Executive Vice President
TOM Online

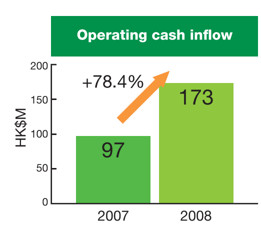

Wendy
Wendy Yu
President
Sports Portal


Angela Mak
CFO & Executive Director
TOM Group

2008 – Challenging Business Environment

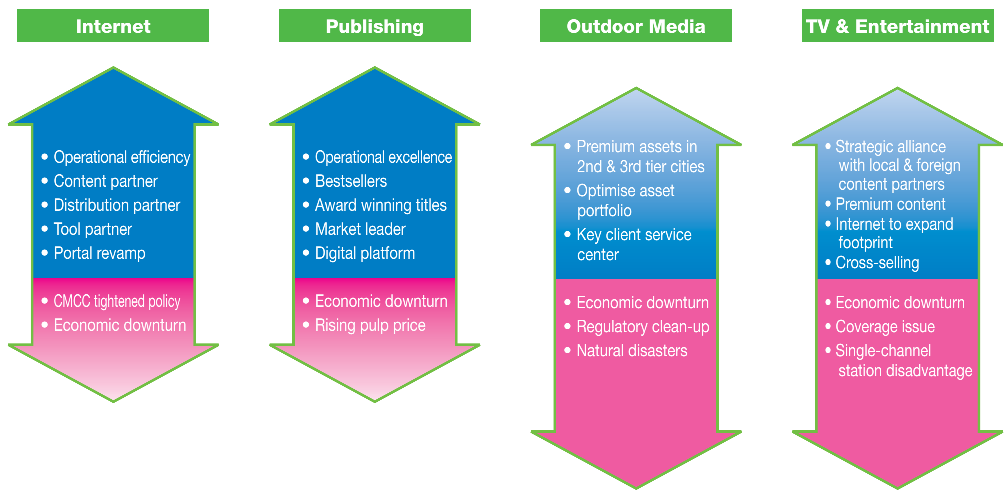
- Economic downturn
- Natural disasters
- Advertising slowdown
- Telecom restructuring
- Outdoor media regulatory clean-up
- TV coverage issue

What is Happening at TOM?

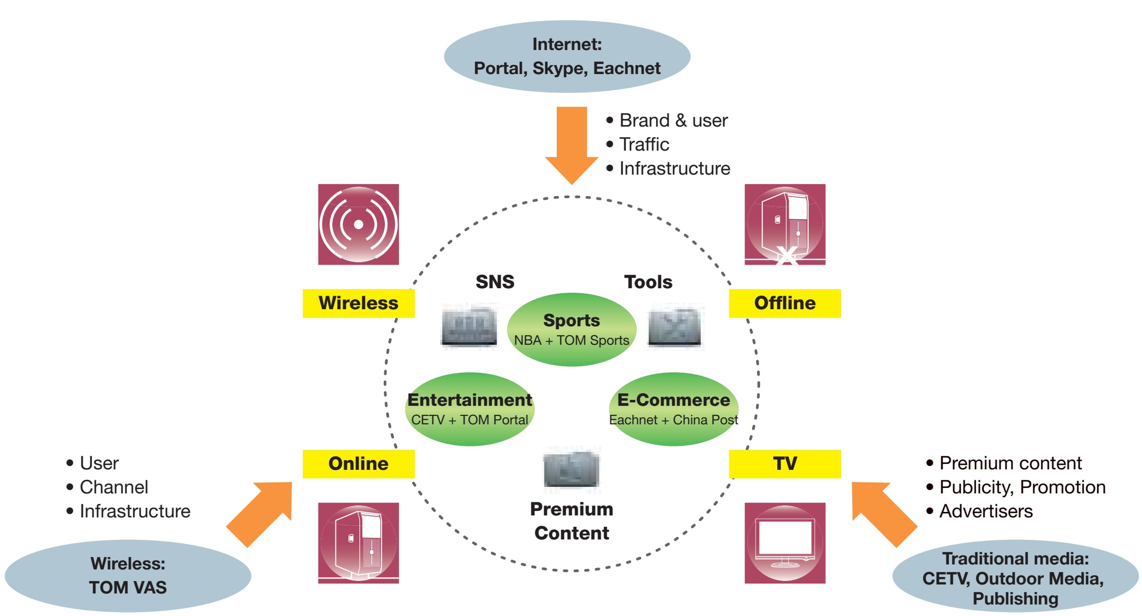


- Operating discipline
- Strategic partnerships — 中国邮政 CHINA POST, NBA, GTV
- From content-based retail distribution to technology-based distribution platform — Mobile Direct Access; Tools + Widgets
- Unlock user benefits — Alexa Ranking, Traffic, GMV
- Create value for advertisers — Innovative & Integrated Advertising Platform
- Prudent accounting — **Goodwill impairment**

Business Segment Dynamics



Outlook: Leverage on Existing Properties to Innovate & Grow



In 2008, TOM Group revenues were HK$2,728 million for the year, representing a 2% growth over last year. Operating loss was HK$1,368 million and loss attributable to shareholders was HK$1,394 million (HK35.82 cents per share).

The operating loss for the year included a one time non-cash impairment charge of HK$1,250 million against the Group's carrying-value of certain earlier generation wireless assets. This charge reflects a conservative judgment as to the future value of these assets given the rapid evolution of business models in the industry and the overall decline in industry valuations in the current economic climate.

However, despite the exceptional challenges of 2008 for all our businesses, the new management team successfully implemented strict measures to improve capital and operational efficiency, including introducing a device and operator agnostic platform in the Internet Group to defend our leading position in the telecommunications industry in a rapidly changing technological environment. As a result, net cash inflow from operating activities grew 78% to HK$173 million.

The Internet Group reported revenues of HK$1,067 million in 2008, a slight drop of 2% compared to last year's HK$1,085 million. This drop was compensated by improved operating efficiency increasing segment profit 5-fold to HK$63 million from HK$10 million last year. The Group also established important new strategic alliances with an array of premium industry partners including the NBA and the China Post Group, which are expected to add significantly to the Group's offerings in the wireless, internet and e-commerce arena.

The Publishing Group reported revenues of HK$1,012 million for 2008, a steady growth of 7%. Segment profit rose to HK$96 million from HK$92 million last year. On a comparable basis (excluding certain one-off gains totalling HK$14 million recognised in 2007) segment profit increased by 23% in 2008.

Revenues of the Outdoor Media Group were HK$465 million in 2008, a growth of 6% as compared to HK$440 million in 2007. Segment loss was HK$75 million including one-off termination costs for the operating rights of underperforming assets and write-offs of demolished media properties in certain cities.

CETV's operations were adversely impacted by limitations on its signal landing rights in Shenzhen and the general reduction of corporate advertising spending in the second-half due to the deteriorating economic climate. Revenues of the Television and Entertainment Group for the year dropped 12% to HK$187 million. Management has successfully worked closely with the relevant authorities with resumption of coverage in certain areas and has also expanded CETV's footprint via broadcasting on internet and wireless, giving its audience a more comprehensive and interactive viewing experience. CETV will also further strengthen its content offerings with popular and quality programmes via cooperation with local and overseas media partners. These measures should position CETV for healthy growth in future as economic conditions ease.

Going forward, China's issuance of 3G licenses provides new opportunities to the Group. With the Group's open platform, exclusive and licensed tools and technology and premium content, it is positioned to capture this market opportunity.

2008 was a year marked by increasing global financial turmoil and challenging conditions in all our businesses. Our staff and management have shown perseverance and strength in meeting the challenges and positioning the Group for the future. I believe the Group is well placed to grow shareholder value going forward as economic conditions improve. I would like to take the opportunity to thank the management and all the staff of the Group for their continuing professionalism, creativity, hard work and loyal dedication over the past year.

Frank John Sixt
Chairman

Hong Kong, 25 March 2009

Financial Highlights

For the year ended 31 December

In HKD Thousands	**2008**	2007 (As restated)^	2006 (As restated)^	2005 (As restated)^	2004 (As restated)^
Results					
Turnover					
Internet	**1,066,690**	1,085,460	1,370,862	1,370,738	988,999
Publishing	**1,011,734**	947,544	948,063	1,034,859	909,653
Outdoor Media	**464,722**	440,178	391,166	412,280	369,287
Sports (discontinued)	–	–	–	208,487	295,275
Television & Entertainment	**184,887**	209,433	88,573	78,953	32,031
	2,728,033	2,682,615	2,798,664	3,105,317	2,595,245
EBITDA*	**95,906**	101,985	377,228	397,418	283,882
Operating (loss)/profit# before net gain on deemed disposals of interests in subsidiaries	**(1,367,755)**	(231,651)	277,197	317,780	(19,960)
(Loss)/profit attributable to equity holders of the Company	**(1,394,429)**	(331,105)	12,169	248,132	773,448
Balance Sheet					
Total assets	**5,878,715**	8,768,438	8,290,723	7,790,270	7,872,941
Total liabilities and minority interests	**4,186,321**	5,957,832	5,362,966	4,900,484	5,246,009
Shareholders' funds	**1,692,394**	2,810,606	2,927,757	2,889,786	2,626,932

* EBITDA refers to profits/(losses) before finance costs, taxation, depreciation, amortisation and one-off / non-cash charges. For the year ended 31 December 2008, one-off / non-cash charges included provision for impairment of goodwill and other assets totalling HK$1,249,572,000 (2007: HK$163,697,000). For the year ended 31 December 2006, one-off / non-cash charges included one-off non-cash provisions less net gain on deemed disposals of interests in subsidiaries amounting to HK$11,443,000 (2005: net gain of HK$153,064,000 and 2004: net gain of HK$717,745,000).

\# Operating (loss)/profit includes the share of results of associated companies and jointly controlled entities.

^ In 2008, the Group had aligned the accounting policy (note 37(a)) such that the consolidated financial data for 2005 to 2007 had been restated accordingly. 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 had adopted new and revised HKFRS such that the consolidated financial data for 2004 had been restated accordingly.

The operating environment was exceptionally challenging in 2008 underpinned by successive natural disasters in Mainland China and the deepening global financial crisis. Nevertheless, the Group implemented strict measures to improve capital and operational efficiency across our business units. As a result, net cash inflow from operating activities reported significant growth of 78% over 2007 to HK$173 million.

Moreover, in view of the rapidly changing technological environment and to defend our leading position in the telecommunications industry, the Group has also introduced a device and operator agnostic platform in the Internet Group to unlock user benefits with unique tools and widgets.

To reflect the Group's strategy going forward in the mobile internet field and the overall decline in industry valuations in the current economic climate, a one-off non-cash provision was made. The provision related mainly to the Group's carrying-value of certain earlier generation wireless assets that contributed value but which no longer matched current technological trends and the Group's prevailing operating model. This action is a conservative judgment as to the future value of these assets given the rapid evolution of business models in the industry. It more accurately reflects the Group's strategy and performance going forward and is necessary in order to position the Group for healthy growth.

The Group's revenues amounted to HK$2,728 million for the year ended 31 December 2008, representing a 2% growth as compared with that in 2007. The operating loss of the Group, before impairment of goodwill and other assets, was HK$118 million in 2008, as compared with HK$68 million last year. Taking into account the one-off non-cash provision of HK$1,250 million, which mainly included a provision for goodwill on investment in Beijing Bo Xun Rong Tong Information Technology Company Limited of HK$472 million, and a provision for goodwill on certain previously acquired assets in the wireless business of HK$726 million (2007: HK$164 million), loss attributable to shareholders was HK$1,394 million in 2008, as compared to HK$331 million in 2007. The loss per share for the year ended 31 December 2008 was HK35.82 cents.

Business and Operation Review

Affected by the worldwide sweeping effects of the financial tsunami, the overall advertising market saw a significant downturn in the fourth quarter of 2008. This was further impacted by successive natural disasters and new regulatory measures imposed on our businesses in Mainland China. Notwithstanding the harsh external operating environment, the management has during the year, implemented tough but effective measures in improving the operational efficiency of its various business units while at the same time driving business innovation and growth. These changes will place the Group on path towards profitability and healthy growth.

INTERNET

Product innovation and operational efficiency

The Internet Group reported revenues of HK$1,067 million in 2008, a slight drop of 2% as compared to last year's HK$1,085 million. The drop was compensated by improved operational efficiency, increasing segment profit by 550% from last year's HK$10 million to HK$63 million this year.

Over the past year, significant changes and new initiatives have been undertaken by the Internet Group. In early 2008, the revamping of our portal into a tool- and user-centric widgetised open platform has resulted in traffic increase by over 300% while content and marketing expenses reduced by 58% and 62% respectively in 2008. Coupled with other streamlining activities, total operating expenses of the Internet Group has been reduced by 26% in 2008. The Alexa ranking of www.tom.com has gone up to 15th from 35th by the end of 2008.

TOM Eachnet has reduced its share of losses by 27% to HK$76 million in 2008. This was mainly attributable to the continuous optimisation on key operations metrics. During the period, Eachnet introduced several new and innovative services including optimised search, overseas buying, a seller incubation programme and loyalty points. Six months after the launch of the overseas buying programme "US Direct" in June 2008, monthly transaction volume surged three- to fivefold. Average spending per person for the overseas buying programme was between RMB2,000 and RMB3,000, which is 20 times more than on average domestic e-commerce platforms in Mainland China. Maximum spending per transaction was as high as RMB70,000, reflecting Eachnet's reputation for trustworthiness and reliability amongst consumers in Mainland China. Going forward, Eachnet will continue to introduce innovative services and expand its distribution channels to boost traffic and transaction.

To bring the latest technology, tools and premium content onto our open platform for our users, we have established important new strategic alliances with premium local and overseas partners during the year, which are expected to add significantly to the Group's offerings in the wireless, internet and e-commerce arena.

In the second quarter of 2008, we partnered with Stardoll to introduce a premier fashion entertainment online community to the Chinese audience on our platform with enhanced interactivity and more user generated content tailored to the young and trendy users.

In September 2008, TOM has entered into an exclusive agreement with the NBA to operate its official site in China and become the Official Internet Website Partner of the NBA in Greater China. Since we took over and re-launched the website in October 2008, the number of unique visitors has doubled, with the introduction of live games broadcast and interactive and innovative user features. The improved user experience and premium platform adds value to both TOM's users and advertisers.

In February 2009, the Group entered into a cooperation agreement with the China Post Group to jointly develop e-commerce opportunities in Mainland China. The China Post Group possesses a nationwide distribution network that is well-supported by sophisticated and reliable logistics infrastructure and an extensive network of postal savings banks. Leveraging TOM's media platform from TV to publishing, our e-commerce experience in the Eachnet operation and our technology strength and huge user base, we will enable users to experience a trustworthy, reliable, and all-round superior service from online, mobile to offline.

The year of 2008 witnessed major policy changes in China's telecommunication industry. Following the issuance of 3G licenses during the latter part of the year, major telecommunication operators in China are expected to invest heavily and launch aggressive marketing campaigns to attract users and gain market share. As one of the largest wireless internet service providers in China, we are well-equipped with a wide range of quality products, operational expertise and infrastructure to collaborate with content and technology partners and to work closely with telecommunication operators to launch new services and seize the 3G and broadband market opportunities.

PUBLISHING

Steady performance despite market volatility

Despite the deteriorating business environment and the increase in paper cost of over 17% during the year, the Publishing Group in Taiwan was able to report steady growth in both revenues and profit. Revenues were HK$1,012 million for 2008, a growth of 7% over 2007's HK$948 million. Segment profit of the Publishing Group increased by 5% to HK$96 million in the year from HK$92 million last year. Excluding certain one-off gains (such as the gain on disposal of Mingpao shares and write back of certain over-provisions from past years) totalling HK$14 million recognised in 2007, segment profit in 2008 increased by 23%.

With a continual drive for operational excellence and a very experienced local management team, the Publishing Group has successfully weathered through this challenging and competitive environment and held on to its market share.

Improved profitability of book publishing was attributable to the concerted effort by the management in continuously refining the title selection process and quality control. With a stringent and high quality control on the selection of bestsellers for publication, the print volume of new titles issued by the Publishing Group has decreased by 2% in 2008 as compared with 2007, but the net sales volume of books increased by 14% during the year. The health book *Dr. Tom Wu's Principles of Natural Cure*, first published in March 2008, reached a total sales volume of over 590,000 copies by the end of 2008. Recently, the novel *Twilight* and its sequel *New Moon* also reported a total print volume of over 230,000 copies as of January 2009. Similar encouraging sales performances are expected when the third and fourth instalments of the *Twilight* series are released in 2009.

The magazine business continued to report satisfactory performance in 2008, with the number of subscribers in Taiwan increasing by about 4% over the previous year. Advertising revenues of the magazines maintained steady growth at about 5% in 2008 as compared with 2007 despite the worsening economic and business environment since the second half of 2008. *Business Weekly*, the flagship magazine published by the group in Taiwan won the SOPA Awards for "Excellence in Feature Writing", "Excellence in Reporting Breaking News", and "Excellence in Magazine Design" in 2008. The magazine also received the "News In-depth Reporting Award" from the Vivian Wu Journalism Award, "Excellent News Coverage Award" in the print media category of Excellent Journalism Award and "Award for Editorial Excellence" in the magazine category of the 32nd Golden Tripod Awards.

Pixnet (www.pixnet.net), a leading social networking website in Taiwan, has continued to show satisfactory growth during the past year and has integrated closely with the Group to become an online promotion and publishing platform. A system upgrade was completed in mid-2008 resulting in further improvement of platform performance and saw a significant increase in user stickiness. Pixnet now ranks 2nd among popular social networking websites in Taiwan. The Alexa ranking of Pixnet in terms of traffic amongst all websites in Taiwan has gone up from 59th in February 2007 (when acquired by TOM) to 21st by the end of 2007 and it was further raised to 12th by the end of 2008. The number of registered members has grown nearly 50% as compared with the level at the beginning of the year. Riding on the strong technological support and resources of TOM Group, Pixnet will develop more new services and increase synergies within the Publishing Group.

Leveraging our extensive distribution network and influential market position, the local management team will be able to lead the division through this volatile financial environment and will continue to deliver superior performance and sustain profitability for TOM Group.

OUTDOOR MEDIA

Restructure asset portfolio to regain growth momentum

OMG was operating under arduous pressure in a tough economic environment in 2008. Revenues of OMG were HK$465 million in 2008, a growth of 6% as compared to HK$440 million in 2007. Segment loss amounted to HK$75 million, versus profit of HK$15 million the year before.

Early in the year, successive natural disasters in Mainland China significantly affected business operations in certain regions. The sluggish economic condition during the year, particularly in the real estate and financial sectors, coupled with the financial tsunami in the fourth quarter of 2008, have caused advertisers to become conservative with respect to marketing initiatives. In addition, government authorities in many second- and third-tier cities in Mainland China have commenced various city planning and restructuring exercises and have demolished some of OMG's media assets in Kunming, Liaoning and Chongqing. This has resulted in write-offs of corresponding media assets during the year. Moreover, most of the new media assets in those cities are now subject to formal auction bidding process and this has driven up the overall costs of media assets of OMG significantly.

During the year, OMG has undergone a restructuring exercise and the new management team took a number of resolute measures to restore healthy growth momentum to the group. A thorough examination and review of the existing media assets portfolio was made. Underperforming assets and projects were identified and discontinued during the year with one-off termination costs. These assets were either located at unfavorable areas or carried a cost that exceeded the current market level. Such actions were necessary to promote a healthier growth in the future. This strategy has already started to show positive contributions to the operational efficiency of OMG. The average revenue-per-unit area of self-owned/leased media assets improved by 20% in 2008 as compared with 2007.

OMG continued to optimise its media assets portfolio by acquiring premium and higher margin categories in leading second-tier cities. During the second half of the year, OMG acquired over 140 media assets units including billboards, unipoles and light boxes in Fuzhou Airport with a total media asset space of over 3,500 square metres. This project is expected to bring in new revenues to OMG in 2009. Leveraging the strong sales and operational capability of the local management, OMG will work closely with TOM's other business divisions to create new products and further improve performance in 2009.

Furthermore, a Key Client Service Centre with a designated sales force has been set up in OMG headquarter during the year, focusing on developing business opportunities and offering key national and global clients with tailored and integrated advertising solutions.

With the imposition of stringent quality and performance control over the media assets portfolio, a strengthened and designated sales force for major clients, and the continuous focus on sourcing and developing high quality and technology based media products, the management is repositioning OMG for improved performance and growth.

TELEVISION & ENTERTAINMENT

Integrated media platform with premium contents

Gross revenues of the Television and Entertainment Group were HK$187 million, a drop of 12% as compared to last year's HK$211 million. Segment loss was HK$58 million, versus last year's HK$29 million, which had excluded a one-off gain on disposal of shares of Huayi Brothers of HK$19 million in 2007.

CETV's operations were adversely impacted by limitations on its signal landing rights in Shenzhen. In addition, natural disasters in China and the deteriorating economic climate have caused a general reduction of corporate advertising spending in the second-half, which severely affected the group's performance in 2008.

The management has undertaken a series of measures to improve performance. Certain underperforming businesses were terminated during the year. CETV will continue to streamline its operation to improve efficiency.

During the year, the management has been working closely with the relevant authorities to resume coverage in certain areas. To expand its footprint, CETV is also working with TOM's Internet Group to launch live online and wireless broadcasting on the www.tom.com platform. This will not only help extend the reach of CETV tremendously through a seamless online and wireless network, but will also provide a comprehensive and interactive viewing experience for our audience and offer our customers innovative and integrated advertising solutions.

To further strengthen its content offerings, CETV will continue to focus on securing all kinds of premium content, such as *Ms. No good*, the first-run hot Taiwan dramas which was shown in December 2008, and various interactive programmes and premium talk shows. We will also cooperate with local and overseas media partners to introduce a variety of unique entertainment and infotainment programmes. For example, recently, CETV has teamed up with Gala Television Corporation in Taiwan and NationTainment Corporation, publisher of various magazines in Mainland China, to produce an infotainment programme at CETV, delivering first-hand entertainment news from Taiwan including exclusive interviews of artists and cover stories via a TV magazine format. The production is an integration of various media resources from TV to print media and across Mainland China, Taiwan and Hong Kong aimed at providing audience with premium and comprehensive entertainment content through TV, via mobile or online.

YC, the marketing arm of the Group, continues to play a significant role in cross-selling relevant products and services of all of TOM's business groups. Riding on the success of the innovative and first-of-its-kind "Nokia Experience Van" project in 2007, YC has successfully expanded the event model to other global customers such as Pepsi in 2008, and has become the preferred marketing partner of many multinationals in Mainland China.

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 2008 amounted to HK$2,728 million, an increase of 1.7% compared with the previous year of HK$2,683 million.

Segmental Results

The Internet Group reported gross revenues of HK$1,067 million compared to last year's HK$1,085 million. Segment profit was HK$63 million versus last year's HK$10 million. Segment profit margin for the year was 5.9% compared with last year's 0.9%.

Gross revenues of the Publishing Group increased by 6.8% to HK$1,012 million compared with last year's HK$948 million. Segment profit increased by 4.5% to HK$96 million versus HK$92 million in 2007. Segment profit margin decreased slightly from last year's 9.7% to 9.5%.

The Outdoor Media Group reported gross revenues of HK$465 million, a growth of 5.6% compared to last year's HK$440 million. Segment loss was HK$75 million versus last year's profit of HK$15 million.

Gross revenues of the Television & Entertainment Group was HK$187 million, versus last year's HK$211 million. Segment loss was HK$58 million, compared with last year's HK$10 million.

Operating Expenses

The operating expenses of the Group during the year under review decreased by 2.0% to HK$883 million as compared to HK$901 million in year 2007, as a result of the Group's ongoing cost control measures.

Operating Loss

The Group's operating loss for the year amounted to HK$1,368 million, compared with last year's HK$232 million. Excluding the impacts by the provision for impairment of goodwill and other assets of HK$1,250 million (2007: HK$164 million), the operating loss was HK$118 million, versus HK$68 million in last year.

Loss Attributable to Shareholders

The Group's loss attributable to shareholders was HK$1,394 million, compared to HK$331 million in year 2007.

Liquidity and Financial Resources

As at 31 December 2008, TOM Group had bank and cash balances, including pledged deposits, of approximately HK$1,331 million and listed debt securities of approximately HK$393 million which were pledged to secure bank loan facilities of the Group. A total of HK$2,847 million financing facilities were available, of which HK$2,354 million had been drawn down as at 31 December 2008, to finance the Group's acquisitions, repayment of convertible bonds, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$2,354 million as at 31 December 2008. This included long-term bank loans of approximately HK$845 million and short-term bank and other loans of approximately HK$1,509 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 51% as at 31 December 2008, as compared to 53% as at 31 December 2007.

As at 31 December 2008, the Group had net current liabilities of approximately HK$436 million, as compared to HK$233 million as at 31 December 2007. In March 2009, the Group has accepted offers from two financial institutions for two 3-year term loans totalling approximately HK$790 million. These loans are to be guaranteed by the Group's major shareholders. Based 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 2008, the current ratio of TOM Group was 0.86 compared to 0.95 at 31 December 2007.

In year 2008, the Group generated net cash of HK$173 million from its operating activities, as compared to HK$97 million in the year 2007. Net cash from investing activities was HK$1,046 million, which mainly included the proceed of HK$1,170 million from the sales/maturity of available-for-sale financial assets, partly offset by the capital expenditures of HK$137 million. During the year, the net cash outflow from financing activities amounted to HK$1,718 million, included in which was mainly the repayment of convertible bonds and bank loans, net of new drawn downs, of HK$1,664 million and dividend paid to minority shareholders of HK$72 million.

Charges on Group Assets

As at 31 December 2008, the Group had listed debt securities with a market value of approximately HK$393 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$354 million.

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

In September 2008, a subsidiary of the Group in Taiwan received a revised income tax assessment for the year ended 31 December 2004 from the local tax authority. In this revised tax assessment, the tax authority claimed that an amortisation of intangible assets amounting to approximately NT$44 million (approximately HK$10 million) was not deductible from the assessable profits of the subsidiary in 2004. This gave rise to a potential additional income tax liability to the Group of approximately NT$11 million (approximately HK$3 million).

The subsidiary has engaged and consulted with an external tax representative on this matter. Based on the consultation, the management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Accordingly, the subsidiary has filed an appeal to the tax authority and requested for a re-examination of the deductibility of the amortisation charge from the assessable profit of the subsidiary in 2004. Up to the date of these accounts, the appeal is still pending and no results have been finalised.

Should the tax appeal by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2005 to 2008 would also be revised on a similar basis as that of year 2004. The total incremental tax liability to the Group thereon is approximately NT$155 million (approximately HK$36.6 million). Nevertheless, based on the consultation with the tax representative, the management considers that the amortisation charge should be tax deductible under the tax rules in Taiwan and therefore, no provision for such potential tax liability has been made in the Group's consolidated accounts for the year ended 31 December 2008.

Employee Information

As at 31 December 2008, TOM Group had 3,314 full-time employees. Employee costs and stock option costs, excluding Directors' emoluments, totalled HK$570 million for the year (2007: HK$551 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.

Disclaimer:
Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as operating profit/(loss) including share of results of associated companies and jointly controlled entities and segment profit/(loss) excluding provision for impairment charges, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

Frank John Sixt

aged 57, has been a Non-Executive Director and the Chairman of the Company since 15 December 1999 and is the Chairman of the Executive Board Committee and the Remuneration Committee of the Company. 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.

Yeung Kwok Mung

aged 44, has been the Chief Executive Officer and an Executive Director of the Company since 26 March 2008. He is also a member of the Executive Board Committee of the Company. 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 44, 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 is also a member of the Executive Board Committee of the Company. 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 61, has been an Independent Non-Executive Director of the Company since 21 January 2000. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. 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, SPG Land (Holdings) Limited and CNNC International Limited, all being listed companies in Hong Kong, and an Executive Director and the Deputy Chairman of Worldsec Limited, a company listed in London. He is also a Member of the Securities and Futures Appeals Tribunal. He was an Independent Non-Executive Director of FPP Golden Asia Fund Inc. (formerly known as Jade Asia Pacific Fund Inc.), a company listed in Ireland, up until October 2008.

Wu Hung Yuk, Anna

aged 58, has been an Independent Non-Executive Director of the Company since 25 August 2003. She is also a member of the Audit Committee and the Remuneration Committee of the Company. 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 is currently a Non-Official Member of the Executive Council, a Member of the Law Reform Commission, a Council Member of the Hong Kong International Arbitration Centre and the Chairperson of the Mandatory Provident Fund Schemes Authority. 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 58, 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 is also a member of the Audit Committee of the Company. 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.

Chang Pui Vee, Debbie

aged 58, has been a Non-Executive Director of the Company since 5 October 1999 and is a member of the Executive Board Committee of the Company. 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 55, has been a Non-Executive Director of the Company since 5 October 1999 and is an alternate member to the Chairman of the Remuneration Committee of the Company and a member of the Executive Board Committee of the Company. 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 56, has been a Non-Executive Director of the Company since 15 October 1999 and is a member of the Executive Board Committee of the Company. He is also Deputy Managing Director of Cheung Kong (Holdings) Limited, an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-Executive Director of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore), CATIC International Holdings Limited, Excel Technology International Holdings Limited, Shougang Concord International Enterprises Company Limited and The Ming An (Holdings) Company Limited (all being listed companies), and a Director of ARA Asset Management (Singapore) Limited as the Manager of Fortune REIT and ARA Trust Management (Suntec) Limited as the Manager of Suntec REIT. Both Fortune REIT and Suntec REIT are listed in Singapore. Mr. Ip is also a Director of certain companies which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Lee Pui Ling, Angelina

aged 60, 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 and is a member of the Audit Committee of the Company. 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 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.

Francis Anthony Meehan

aged 38, 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).

Feng Jue, Elaine

aged 36, has been a Director and the Executive Vice President of TOM Online Inc. since 15 September 2003. Ms. Feng joined the Group in December 2002 and has over 10 years of experience in the Internet field.

Chang Cheng

aged 35, has been the Executive Vice President of TOM Online Inc. since 1 January 2009. Mr. Chang joined the Group in February 2002 and has over 10 years in the Internet sector.

Yu Wing Tak, Wendy

aged 33, has been the President of Sports Portal of the Company since 24 September 2008. Ms. Yu joined the Group in July 2008 and has over 12 years of experience in the media field.

Jin Wei-Tsun

aged 56, has been the Chief Executive Officer of Business Weekly Media Group, the Publishing Group of the Company since 1 January 2008. Mr. Jin joined the Group in 2002 and has extensive experience of over 32 years in Taiwan's media sector.

Ho Fei-Peng

aged 56, has been the Chief Executive Officer of Home Media Group, the Publishing Group of the Company since 1 January 2008. Mr. Ho joined the Group in 2001 and has extensive experience of over 25 years in Taiwan's media sector.

Huang Chen-Lung

aged 57, has been the Chief Executive Officer of Sharp Point Publishing Group of the Company since 1 January 2008. Mr. Huang joined the Group in 2001 and has over 27 years in Taiwan's media sector.

Wu Li-Ping, Lisa

aged 57, has been the Chief Executive Officer of Nong Nong Intermedia Group, the Publishing Group of the Company since 1 January 2008. Ms. Wu joined the Group in 2001 and has over 25 years in Taiwan's media sector.

Chen Xiao Tong

aged 44, has been the President of TOM Outdoor Media Group of the Company since 1 July 2008. Ms. Chen joined the Group in May 2008 and has extensive experience of over 20 years in the public relations and media field.

Lee Ho Lap, Richard

aged 42, has been the Group Sales Director of the Company since 15 May 2006. Mr. Lee has also been appointed as the President of Television & Entertainment of the Company on 1 January 2009. He has more than 20 years of experience in the advertising sector.

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 2008.

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 2008.

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 2008, the Board comprised eleven Directors, including the Chairman, Chief Executive Officer, Chief Financial Officer, five Non-executive Directors (one is an Alternate Director) and three 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 20 to 23.

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 the Chief Financial Officer and 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.

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 4 regular meetings in 2008 with an average attendance rate of approximately 87%.

The attendance records of the Board meetings held in 2008 are set out below:

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

Notes:

1. *Appointed as Chief Executive Officer and Executive Director on 26 March 2008.*
2. *Resigned as Executive Director on 3 September 2008.*
3. *Resigned as Non-executive Director on 18 August 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 2008.

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 53 to 54.

Audit Committee

The Company has established the Audit Committee in January 2000. The Audit Committee consists of three Independent Non-executive Directors and one 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 2008 with an average attendance rate of 100%.

The attendance records of the Audit Committee meetings held in 2008 are set out below:

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

For 2008, the Audit Committee reviewed with senior management and the Company's internal and/or external auditor, where applicable, their respective audit findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance, internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended 31 December 2008 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 2008 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 2008, the remunerations to the auditor of the Company were approximately HK$15,515,000 for audit services and HK$766,000 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 two Non-executive Directors (one is an alternate member) and two 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 2008, 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 2008 are set out in note 14 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.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2008 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

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 and 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 20 clear business days' notice. The Chairman, 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. Votes of shareholders at general meetings will be taken by poll and 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.

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2008.

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 162 to 167.

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 55.

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 37 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 15 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 35 and 36 to the accounts respectively.

Distributable reserves

Details of the distributable reserves of the Company as at 31 December 2008 are set out in note 37 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. 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 *
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)*
Ms. Tong Mei Kuen, Tommei * *(re-designated as non-executive Director on 26 March 2008 and resigned on 18 August 2008)*
Mr. Wang Lei Lei *(appointed as Deputy Chairman on 26 March 2008 and resigned on 3 September 2008)*

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

In accordance with Article 116 of the Company's Articles of Association, Mr. Cheong Ying Chew, Henry, Ms. Wu Hung Yuk, Anna, Mr. James Sha and Mrs. Lee Pui Ling, Angelina 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 20 to 23.

Directors' emoluments

Details of the Directors' emoluments are set out in note 14 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 on 4 August 2004.

(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 25 March 2009).

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 2008, options to subscribe for an aggregate of 63,144,000 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 2008, options to subscribe for an aggregate of 7,116,000 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 2008	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2008	Option period	Subscription price per share of the Company *HK$*
Directors (including ex-directors)	11/2/2000	12,106,000	–	(9,080,000)	–	3,026,000 *(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**	**–**	**(9,080,000)**	**–**	**7,116,000**		

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 2008, options to subscribe for an aggregate of 56,028,000 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 2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2008	Option period	Subscription price per share of the Company *HK$*
Directors (including ex-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)	23/3/2000	1,528,000	–	–	–	(202,000)	1,326,000 *(Note 2)*	23/3/2000 – 22/3/2010	11.30
	26/6/2000	508,000	–	–	–	–	508,000 *(Note 3)*	26/6/2000 – 25/6/2010	5.89
	8/8/2000	5,586,000	–	–	–	(604,000)	4,982,000 *(Note 4)*	8/8/2000 – 7/8/2010	5.30
	9/10/2003	9,890,000	–	–	–	(3,528,000)	6,362,000 *(Note 5)*	9/10/2003 – 8/10/2013	2.505
	16/2/2004	5,000,000	–	–	–	(5,000,000)	–	16/2/2004 – 15/2/2014	2.55
	Total:	**65,362,000**	–	–	–	**(9,334,000)**	**56,028,000**		

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.

(c) New Option Scheme

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

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

As at 31 December 2008, 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) Long positions in shares of the Company

		Number of shares of the Company					Approximate
Name of Directors	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	percentage of shareholding
Yeung Kwok Mung	Interest of spouse	–	30,000	–	–	30,000	Below 0.01%
Mak Soek Fun, Angela	Beneficial owner	44,000	–	–	–	44,000	Below 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 2008 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 31 December 2008	Option period	Subscription price per share of the Company *HK$*
Mak Soek Fun, Angela	11/2/2000	3,026,000 *(Note 1)*	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 *(Note 2)*	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 *(Note 3)*	15/11/2000-14/11/2010	5.30

Notes:

1. 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.

2. 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.

3. 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 2008, none of the Directors was granted options to subscribe for shares of the Company, nor had exercised such rights. No option granted to the above Directors was lapsed or cancelled during the year ended 31 December 2008.

Save as disclosed above, as at 31 December 2008, 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 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 2008, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and 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%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
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%
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 controlled corporations	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	989,830,363*(L)* *(Note 3)*	25.42%

Name	Capacity	No. of shares of the Company held		Approximate percentage of shareholding
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	989,830,363*(L)*	*(Note 3)*	25.42%
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 61,830,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 61,830,363 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 2008, 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 2008, which do not constitute connected transactions under the Listing Rules are disclosed in note 45 to the accounts.

(1) Connected transactions

On 23 May 2008, Beijing LingXun Interactive Science Technology and Development Company Limited ("Beijing LingXun", a non wholly-owned subsidiary of the Company) has entered into a share transfer agreement ("Agreement") with Mr. Kong Yi ("Mr. Kong", a connected person of the Company by virtue of his being a substantial shareholder of Beijing Huan Jian Shu Meng Network Technology Limited ("HJSM", a non wholly-owned subsidiary of the Company)), under which, Beijing LingXun has agreed to acquire 25% of the equity interest in HJSM from Mr. Kong at a total consideration of RMB5,000,000. At completion, HJSM is owned as to 25% by Beijing LingXun and as to 75% by another non wholly-owned subsidiary of the Company. Details of the aforesaid transaction have been disclosed in the announcement dated 23 May 2008 of the Company.

The Directors (including the independent non-executive Directors) confirmed that the transactions contemplated under the Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(2) Continuing connected transactions

As disclosed in the annual report of the Company for the year ended 31 December 2007, 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$23,667,000 has been paid by HIL Group to the Group for the aforesaid services. The aforesaid advertising services agreement has expired on 31 December 2008.

(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, RMB1,685,297 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, RMB5,118,210 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, RMB1,092,240 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, RMB2,164,184 has been paid by TOM International Beijing Office to Beijing Oriental.

(f) 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$10,566,528 has been paid by TOM International to The Center (48).

(g) 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$19,198,000.

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 auditor of the Company has 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.

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

(a) On 30 December 2008, TOM International has entered into an advertising services agreement with CKH, 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 CKH Group at a fee to be calculated with reference to the then market rate for a term commencing from 1 January 2009 and expiring on 31 December 2011, subject to the annual caps of HK$2,000,000 each for the years 2009, 2010 and 2011 respectively.

(b) On 30 December 2008, TOM International has entered into an advertising services agreement with HIL, 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 2009 and expiring on 31 December 2011, subject to the annual caps of HK$25,000,000, HK$25,000,000 and HK$26,000,000 for the years 2009, 2010 and 2011 respectively.

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 non-executive 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 a non-executive director and 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.

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 46 to the accounts.

Purchase, sale or redemption of shares

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

Auditor

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 37.87% of the issued share capital of the Company was held by the public.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 25 March 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
33rd Floor Cheung Kong Center,
Central Hong Kong.
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

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 55 to 161, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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.

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 2008 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, 25 March 2009

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (As restated)
Continuing operations			
Turnover	4	**2,728,033**	2,682,615
Cost of sales	6	**(1,900,208)**	(1,762,975)
Selling and marketing expenses	6	**(291,056)**	(332,023)
Administrative expenses	6	**(200,550)**	(230,552)
Other operating expenses	6	**(346,723)**	(330,897)
Other gains/(losses)	6	**(44,243)**	(7,493)
Provision for impairment of goodwill and other assets	5	**(1,249,572)**	(163,697)
Share of losses of jointly controlled entities		**(76,683)**	(104,303)
Share of profits less losses of associated companies		**13,247**	17,674
		(1,367,755)	(231,651)
Finance income	7	**57,379**	93,990
Finance costs	7	**(126,800)**	(172,164)
Finance costs, net	7	**(69,421)**	(78,174)
Loss before taxation		**(1,437,176)**	(309,825)
Taxation	8	**(37,625)**	(49,603)
Loss for the year from continuing operations		**(1,474,801)**	(359,428)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(9,047)
Loss for the year		**(1,474,801)**	(368,475)

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (As restated)
Attributable to:			
Minority interests		**(80,372)**	(37,370)
Equity holders of the Company		**(1,394,429)**	(331,105)
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the year	12		
Basic and diluted		**HK(35.82) cents**	HK(8.27) cents
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the year	12		
Basic and diluted		**–**	HK(0.23) cents

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	15	**202,152**	250,887
Goodwill	16	**2,634,940**	3,663,060
Other intangible assets	17	**66,897**	60,210
Interests in jointly controlled entities	19	**(87,904)**	(86,856)
Interests in associated companies	20	**231,388**	233,139
Available-for-sale financial assets	22	**30,147**	422,150
Advance to an investee company	23	**2,165**	2,145
Deferred tax assets	34(a)	**51,843**	54,099
Other non-current assets	24	**6,360**	15,804
		3,137,988	4,614,638
Current assets			
Available-for-sale financial assets	22	**392,916**	1,169,266
Inventories	25	**118,399**	126,924
Trade and other receivables	26	**898,428**	1,009,038
Restricted cash	27	**2,171**	20,176
Cash and cash equivalents	28	**1,328,813**	1,828,396
		2,740,727	4,153,800
Current liabilities			
Trade and other payables	29	**1,180,610**	1,147,564
Taxation payable		**36,840**	56,484
Long-term bank loans – current portion	31	**449,533**	466,260
Short-term bank and other loans	30	**1,509,381**	2,515,998
Convertible bonds	32	**–**	200,138
		3,176,364	4,386,444
Net current liabilities		**(435,637)**	(232,644)
Total assets less current liabilities		**2,702,351**	4,381,994

	Note	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Deferred tax liabilities	34(b)	**14,919**	14,632
Non-current portion of long-term bank loans	31	**395,474**	837,674
Pension obligations	33(a)	**29,644**	31,302
		440,037	883,608
Net assets		**2,262,314**	3,498,386
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	35	**389,328**	389,328
Reserves	37	**1,309,310**	2,427,522
Own shares held	38	**(6,244)**	(6,244)
Shareholders' funds		**1,692,394**	2,810,606
Minority interests	39	**569,920**	687,780
Total equity		**2,262,314**	3,498,386

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	**1,800,039**	2,248,325
Other non-current assets	24	**–**	1,323
		1,800,039	2,249,648
Current assets			
Amount due from subsidiaries	18	**1,900,869**	2,170,628
Other receivables	26	**5,135**	15,649
Cash and cash equivalents	28	**390**	60,985
		1,906,394	2,247,262
Current liabilities			
Amount due to subsidiaries	18	**683,668**	887,457
Other payables	29	**64,332**	118,964
Short-term bank loans	30	**1,450,000**	1,730,480
		2,198,000	2,736,901
Net current liabilities		**(291,606)**	(489,639)
Net assets		**1,508,433**	1,760,009
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	35	**389,328**	389,328
Reserves	37	**1,125,349**	1,376,925
Own shares held	38	**(6,244)**	(6,244)
Shareholders' funds		**1,508,433**	1,760,009

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000 (As restated)
Revaluation surplus on available-for-sale financial assets	6,166	34,101
Net actuarial (loss)/gain on defined benefit plans	(280)	549
Exchange translation differences	293,244	226,660
Transfer to profit and loss on impairment/(disposal) of available-for-sale investment	10,843	(756)
Net income recognised directly in equity	309,973	260,554
Loss for the year	(1,474,801)	(368,475)
Total recognised expense for the year	(1,164,828)	(107,921)
Attributable to:		
Minority interests	(46,533)	24,778
Equity holders of the Company	(1,118,295)	(132,699)
	(1,164,828)	(107,921)
Cumulative effect of the alignment of accounting policy (Note 37(a)) for each component of the equity as at 1 January:		
Attributable to minority interests:		
– Increase in exchange reserve	28,104	16,257
– Increase in accumulated losses	(28,104)	(16,257)
	–	–
Attributable to equity holders of the Company:		
– Increase in exchange reserve	64,920	31,186
– Increase in accumulated losses	(64,920)	(31,186)
	–	–

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash inflow from operations	41(a)	**367,776**	346,585
Interest paid		**(132,452)**	(197,722)
Overseas taxation paid		**(62,511)**	(51,584)
Net cash from operating activities		**172,813**	97,279
Cash flows from investing activities			
Interest received		**74,337**	110,313
Capital expenditure		**(136,519)**	(93,252)
Proceeds from sale of fixed assets		**2,035**	2,393
Proceeds from sale of intangible assets		**–**	2,335
Settlement of consideration payable for acquisition of subsidiaries in prior years		**–**	(92,032)
Acquisition of interests in subsidiaries	40(a), 41(b)	**(3,420)**	(1,583,121)
Disposal of a subsidiary/subsidiaries	41(c)	**(809)**	185,436
Proceeds from maturity/disposal of available-for-sale financial assets		**1,170,012**	448,155
Loans to jointly controlled entities		**(81,901)**	–
Acquisition of an associated company		**–**	(509)
Proceeds from capital reduction of available-for- sale financial assets		**–**	3,231
Dividends received		**22,340**	25,793
Net cash from/(used in) investing activities		**1,046,075**	(991,258)
Cash flows from financing activities			
New bank and other loans, net of financing costs	41(d)	**379,000**	1,706,934
Loan repayments	41(d)	**(1,834,257)**	(621,166)
Maturity of convertible bonds	41(d)	**(208,846)**	–
Contribution from a minority shareholder		**–**	14,201
Dividends paid to minority shareholders		**(72,373)**	(13,742)
Reduction of restricted cash	27	**18,005**	17,370
Net cash (used in)/from financing activities		**(1,718,471)**	1,103,597
(Decrease)/increase in cash and cash equivalents		**(499,583)**	209,618
Cash and cash equivalents at 1 January		**1,828,396**	1,618,778
Cash and cash equivalents at 31 December		**1,328,813**	1,828,396
Cash and cash equivalents represent:			
Bank balances and cash	28	**1,328,813**	1,828,396

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 1(f) below, available-for-sale financial assets are stated at fair value, unless fair value cannot be reliably measured.

As at 31 December 2008, the Group had net current liabilities of approximately HK$436 million, as compared with HK$233 million as at 31 December 2007. In response to the current financial conditions, the Group has been exploring various means of obtaining additional financing. In March 2009, the Group has accepted offers from two financial institutions for two 3-year term loans totalling approximately HK$790 million. These loans are to be guaranteed by the Group's major shareholders. Currently, the Group is still negotiating with various other financial institutions on granting additional facilities to strengthen the Group's financial position. Based 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 3.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

In the current year, the Group has applied the following interpretation issued by the HKICPA which is relevant to the Group:

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The application of the above interpretation had no impact on the Group's financial statements.

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[2]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investments in a Foreign Operation[2]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[3]

1 Effective for the Group for annual periods beginning 1 January 2009 except the amendments to HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" which is effective for the Group for annual periods beginning 1 January 2010

2 Effective for the Group for annual periods beginning 1 January 2009

3 Effective for the Group for annual periods beginning 1 January 2010

The Group has commenced an assessment of the impact of these new standards, amendments to standards or interpretations and they are not expected to have a significant impact on the Group's results and financial position.

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 all 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 (note 1 (i)). 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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

(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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

1 Principal accounting policies (Continued)

(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.

(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. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in equity. 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.

1 Principal accounting policies (Continued)

(f) Financial assets (Continued)

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.

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 1(l).

(g) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Properties include leasehold land and buildings.

Depreciation of fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Properties	over the shorter of the unexpired term of land lease and estimated useful lives of 50 years
Leasehold improvements	over the shorter of their useful lives or the lease terms of 5 years
Computer equipment	20% - $33^1/_3$%
Outdoor media assets	5% - 20%
Other assets	10% - $33^1/_3$%

1 Principal accounting policies (Continued)

(g) Fixed assets (Continued)

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.

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 1(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 reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill included in intangible assets 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 CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arise.

1 Principal accounting policies (Continued)

(h) Intangible assets (Continued)

(ii) Other intangible assets

Other intangible assets include concession rights, licence rights and royalties, publishing rights, purchased programme and film rights, software and 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.

Principal annual rates are as follows:

Concession rights	5% - $33^{1}/_{3}$%
Licence rights and royalties	28%
Publishing rights	6% - 50%
Software and customer base and technology 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 total revenue in respect of the purchased programme and film rights respectively.

(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. Other assets 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than one year overdue) are considered indicators that the receivable is impaired. 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 consolidated profit and loss account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited against the other operating expenses in the consolidated profit and loss account.

(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 under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 consolidated 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.

In the Company's balance sheet, investment in subsidiary is increased for the equity instruments it has granted to the subsidiaries' employees.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(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 consolidated 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 tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

1 Principal accounting policies (Continued)

(o) Current and deferred taxation (Continued)

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 and its 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.

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.

1 Principal accounting policies (Continued)

(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.

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

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.

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

1 Principal accounting policies (Continued)

(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 the Group's 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 consolidated profit and loss account.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale are included in the available-for-sale financial assets reserve in equity.

(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 consolidated profit and loss account as part of the gain or loss on sale.

1 Principal accounting policies (Continued)

(t) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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. 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.

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.

(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, price 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.

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 customers, 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. 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 2008				
Group				
Bank borrowings and other loans, including interest payable	1,982,059	126,868	316,298	369
Trade and other payables	1,179,009	–	–	–
Company				
Bank borrowings, including interest payable	1,465,016	–	–	–
Other payables	64,052	–	–	–

As at 31 December 2008, the Group had net current liabilities of HK$436 million. Please refer to note 1(a) for the details of the refinancing plan of the Group.

	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 loans, including interest payable	3,014,368	466,821	460,992	402
Convertible bonds	200,138	–	–	–
Trade and other payables	1,115,454	–	–	–
Company				
Bank borrowings, including interest payable	1,737,449	–	–	–
Other payables	111,995	–	–	–

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) 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. Financial assets and borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2008, 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$23,536,000 higher/lower (2007: HK$38,191,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2008, if interest rates had been 100 basis points lower/higher with all other variables held constant, equity would have been HK$1,392,000 (2007: HK$2,864,000) 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 2008, 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$13,310,000 lower/higher (2007: HK$18,486,000) due to interest income earned on market interest rate.

Total bank loans of HK$452,000 and other loan of HK$381,000 held by the Group as at 31 December 2008 were with fixed interest rates, of which HK$423,000 are fully repayable within one year. The total bank loans with floating rates held by the Group as at 31 December 2008 amounted to HK$2,353,555,000, 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 adjusts the portfolio of borrowings where necessary.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) 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 ("RMB") and New Taiwan dollar ("NT$"). Foreign exchange risk on net investments in foreign currencies is managed primarily through borrowings denominated in the relevant foreign currencies.

Since Hong Kong dollar ("HK$") is pegged to United States dollar ("US$"), 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$/US$ against RMB and NT$ is set out below.

At 31 December 2008, if HK$/US$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year would have been HK$14,793,000 higher/lower (2007: HK$40,369,000), mainly as a result of foreign exchange losses/gains on translation of US$ and HK$ denominated cash and bank balances, trade and other receivables, trade and other payables and US$ denominated borrowings and securities classified as available-for-sale. Loss in 2008 is less sensitive to movement in currency exchange rate than that in 2007 because the amount of securities classified as available-for-sale denominated in US$ held by the operating companies in the PRC had decreased.

At 31 December 2008, if HK$/US$ had weakened/strengthened by 5% against NT$ with all other variables held constant, post-tax loss for the year would have been HK$22,000 higher/lower (2007: HK$676,000), mainly as a result of foreign exchange losses/gains on translation of US$ denominated cash and bank balances held by operating companies in Taiwan. Loss in 2008 is less sensitive to movement in currency exchange rate than that in 2007 because the amount of US$ denominated cash and bank balance held by operating companies in Taiwan had decreased.

(v) Price risk

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

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) above, 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 and loss and total 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.

(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.

2 Financial risk management (Continued)

(b) Capital risk management (Continued)

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 capital. Total capital includes total borrowings and total equity as shown in the consolidated balance sheet. Total borrowings include short-term bank and other loans, long-term bank loans and convertible bonds as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Short-term bank and other loans (note 30)	**1,509,381**	2,515,998
Long-term bank loans (note 31)	**845,007**	1,303,934
Convertible bonds (note 32)	**–**	200,138
Total borrowings	**2,354,388**	4,020,070
Total equity	**2,262,314**	3,498,386
Total capital	**4,616,702**	7,518,456
Gearing ratio	**51%**	53%

The decrease in the gearing ratio during 2008 resulted primarily from the repayment of bank loans and convertible bonds during the year.

The Group has certain covenants with banks for the banking facilities granted. Management regularly monitor the Group's compliance of the covenant requirements.

(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.

2 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

3 Critical accounting estimates and judgments

Estimates and judgments 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 defined benefit retirement obligations and fair value of share options granted are contained in notes 33 and 36 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 amounts of the 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 in other segments have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

An impairment charge of HK$1,190,627,000, HK$37,164,000 and HK$3,388,000 arose in the CGUs in Internet Group, Outdoor Media Group and Television and Entertainment Group respectively during the course of the year 2008, resulting in the carrying amounts of the CGUs being written down to their recoverable amounts. For sensitivity analysis, if a 1% growth rate is reduced from the original discounted cash flow assumption under both the value-in-use and fair value less cost to sell calculation, the Group would have recognised a further impairment of goodwill of HK$119,322,000.

3 Critical accounting estimates and judgments (Continued)

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment 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 assets and liabilities in the period in which such determination is made.

(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 2008, the provision for sales return of the Group amounted to HK$44,947,000 (2007: 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) Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. As at 31 December 2008, the total amount of provision which has been made was HK$91,691,000 (2007: HK$86,859,000). If the financial conditions of customers of the Group were to change, resulting in an impairment or improvement in their ability to make payments, either additional provision or reversal of previously made provision 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 162 to 167.

Turnover and revenues recognised during the year are as follows:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Turnover		
– Provision of wireless internet services, online advertising, commercial enterprise solutions and internet access	**1,066,690**	1,085,460
– Magazine and book circulation, sales of publication advertising and other related products	**1,011,734**	947,544
– Advertising sales of outdoor media assets and provision of outdoor media services	**464,722**	440,178
– Advertising sales in relation to satellite television channel operations and provision of broadcasting post production and event production and marketing services	**184,887**	209,433
	2,728,033	2,682,615
Discontinued operations		
Turnover		
– Event organisation, advertising and sponsorship sales in relation to sports events and programmes	**–**	818
Consolidated total turnover	**2,728,033**	2,683,433

4 Turnover, revenue and segment information (Continued)

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.

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 9 to the consolidated accounts.

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment results for the year ended 31 December 2008 are as follows:

	Year ended 31 December 2008						
	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	1,066,690	1,011,734	464,722	186,609	2,729,755	–	2,729,755
Inter-segment turnover	–	–	–	(1,722)	(1,722)	–	(1,722)
Turnover	1,066,690	1,011,734	464,722	184,887	2,728,033	–	2,728,033
Segment profit/(loss) before amortisation and depreciation	121,505	171,347	(23,874)	(35,328)	233,650	–	233,650
Amortisation and depreciation	(58,268)	(75,420)	(51,495)	(22,403)	(207,586)	–	(207,586)
Segment profit/(loss) before impairment charges	63,237	95,927	(75,369)	(57,731)	26,064	–	26,064
Provision for impairment of goodwill and other assets	(1,198,177)	–	(37,164)	(14,231)	(1,249,572)	–	(1,249,572)
Segment profit/(loss) after impairment charges	(1,134,940)	95,927	(112,533)	(71,962)	(1,223,508)	–	(1,223,508)
Share of losses of jointly controlled entities	(76,683)	–	–	–	(76,683)	–	(76,683)
Share of profits less losses of associated companies	595	12,652	–	–	13,247	–	13,247
Unallocated (costs)/income, net					(80,811)	–	(80,811)
					(1,367,755)	–	(1,367,755)
Finance costs, net					(69,421)	–	(69,421)
Loss before taxation					(1,437,176)	–	(1,437,176)
Taxation					(37,625)	–	(37,625)
Loss for the year					(1,474,801)	–	(1,474,801)

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year ended are as follows:

	As at/For the year ended 31 December 2008				
	Internet Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Segment assets	3,386,401	1,162,201	969,931	164,301	5,682,834
Interests in jointly controlled entities	(87,904)	–	–	–	(87,904)
Interests in associated companies	3,148	228,240	–	–	231,388
Unallocated assets					52,397
Total assets					5,878,715
Segment liabilities	485,517	364,067	197,274	45,850	1,092,708
Unallocated liabilities					2,523,693
Total liabilities					3,616,401
Segment capital expenditure	15,878	66,730	37,639	12,557	132,804
Unallocated capital expenditure					3,715
Total capital expenditure					136,519

4 Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

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

	Year ended 31 December 2007 (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	1,085,460	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	89,833	110,080	50,157	19,272	269,342	(9,490)	259,852
Amortisation and depreciation	(80,101)	(18,295)	(35,331)	(29,004)	(162,731)	(48)	(162,779)
Segment profit/(loss) before impairment charges	9,732	91,785	14,826	(9,732)	106,611	(9,538)	97,073
Provision for impairment of goodwill and other assets	(127,116)	–	–	(36,581)	(163,697)	–	(163,697)
Segment profit/(loss) after impairment charges	(117,384)	91,785	14,826	(46,313)	(57,086)	(9,538)	(66,624)
Share of losses of jointly controlled entities	(104,303)	–	–	–	(104,303)	–	(104,303)
Share of profits less losses of associated companies	710	16,964	–	–	17,674	–	17,674
Unallocated (costs)/income, net					(87,936)	–	(87,936)
					(231,651)	(9,538)	(241,189)
Finance (costs)/income, net					(78,174)	491	(77,683)
Loss before taxation					(309,825)	(9,047)	(318,872)
Taxation					(49,603)	–	(49,603)
Loss for the year					(359,428)	(9,047)	(368,475)

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)

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

There are no significant sales between the geographical segments.

	Turnover					
	Year ended 31 December 2008			Year ended 31 December 2007		
	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	17,348	–	17,348	16,540	–	16,540
Mainland China	1,723,081	–	1,723,081	1,740,025	818	1,740,843
Taiwan and other Asian countries	987,604	–	987,604	926,050	–	926,050
	2,728,033	–	2,728,033	2,682,615	818	2,683,433

Revenue is allocated based on the country in which the business is operated.

4 Turnover, revenue and segment information (Continued)

Secondary reporting format – geographical segments (Continued)

	Total assets		Capital expenditure	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**44,744**	896,081	**4,470**	1,168
Mainland China	**4,710,294**	6,695,302	**66,036**	79,861
Taiwan and other Asian countries	**1,123,677**	1,177,055	**66,013**	12,223
Total	**5,878,715**	8,768,438	**136,519**	93,252

Total assets and capital expenditure are allocated based on the location of the assets.

5 Provision for impairment of goodwill and other assets

The amount in the current year represented provision for impairment of goodwill of HK$1,231,179,000 (2007: HK$163,697,000), other intangible assets of HK$7,550,000 (2007: Nil) and available-for-sale financial assets of HK$10,843,000 (2007: Nil). The provision for impairment of goodwill was made for the Internet Group of HK$1,190,627,000 (2007: HK$127,116,000), the Outdoor Media Group of HK$37,164,000 (2007: Nil) and the Television and Entertainment Group of HK$3,388,000 (2007: HK$36,581,000) respectively. These provisions were made with reference to the reduced estimated values of the respective businesses, mainly due to the significant deterioration of the economy, as well as the tightening of certain regulations and policies in the respective industries in Mainland China.

6 Operating loss

Operating loss is stated after charging/crediting the following:

	2008 HK$'000	2007 HK$'000 (As restated)
Continuing operations		
Charging:		
Mobile operator and revenue sharing costs	**468,746**	450,899
Depreciation (note 15)	**102,830**	117,328
Amortisation of other intangible assets (note 17)	**106,363**	47,715
Amortisation of other intangible assets included in interests in associated companies (note 20)	**4,896**	4,896
Cost of inventories sold (note 25)	**542,298**	460,722
Staff costs (including directors' emoluments) (note 13)	**591,414**	586,296
Operating leases in respect of:		
– Land and buildings	**62,042**	58,166
– Other assets	**193,278**	172,254
Auditor's remuneration	**15,515**	15,869
Provision for impairment of trade receivables, net (note 26(c))	**9,882**	7,070
Loss on disposal of fixed assets	**6,806**	5,774
Loss on disposal of a subsidiary	**–**	9,193
Loss on disposal of other intangible assets	**13,548**	1,076
Provision for inventories	**18,879**	30,677
Exchange loss, net	**25,616**	17,479
Crediting:		
Dividend income from available-for-sale financial assets	**1,727**	–
Gain on disposal of available-for-sale financial assets	**–**	26,029
Discontinued operations		
Charging:		
Depreciation (note 15)	**–**	48
Staff costs (including directors' emoluments) (note 13)	**–**	1,586
Loss on disposal of subsidiaries and an associated company (note 9)	**–**	1,901

7 Finance costs, net

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

	2008 HK$'000	2007 HK$'000
Continuing operations		
Interest and borrowing costs on bank loans	115,227	160,580
Interest and borrowing costs on convertible bonds	9,621	10,120
Interest on other loans, wholly repayable within five years	1,952	1,464
	126,800	172,164
Less: Interest income		
– available-for-sale financial assets	(31,920)	(55,361)
– bank and others	(25,459)	(38,629)
	(57,379)	(93,990)
	69,421	78,174
Discontinued operations		
Interest income – bank and others	–	491

The interest income of the Group has been reclassified and shown together with finance costs in the consolidated profit and loss account for the year ended 31 December 2008. As a result, corresponding comparative figures have been reclassified to conform to this presentation. This reclassification has no impact on the results or equity for the prior year and current year.

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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:

	2008	2007
	HK$'000	HK$'000
Continuing operations		
Overseas taxation	**32,473**	56,848
Under-provision in prior years	**3,824**	30
Deferred taxation (note 34(c))	**1,328**	(7,275)
Taxation charges	**37,625**	49,603

No taxation is charged or credited to share of profits less losses of associated companies for the year ended 31 December 2008 (2007: taxation credit of HK$2,158,000).

8 Taxation (Continued)

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

	2008 HK$'000	2007 HK$'000 (As restated)
Loss before taxation		
From continuing operations	(1,437,176)	(309,825)
From discontinued operations	–	(9,047)
	(1,437,176)	(318,872)
Calculated at a taxation rate of 16.5% (2007: 17.5%)	(237,134)	(55,803)
Effect of different applicable taxation rates in other countries	(8,450)	(27,528)
Income not subject to taxation	(11,265)	(22,196)
Expenses not deductible for taxation purposes	213,845	80,642
Utilisation of previously unrecognised tax losses	(7,136)	(13,757)
Recognition of previously unrecognised temporary differences	(6,381)	(845)
Tax losses not recognised	69,960	68,947
Tax effect on results of associated companies and jointly controlled entities	10,467	15,160
Withholding tax	3,037	128
Temporary differences not recognised	7,801	4,825
Under-provision in prior years	3,824	30
Tax rate adjustment	(943)	–
Taxation charge	37,625	49,603

During the year, as a result of the change in the Hong Kong profits tax rate from 17.5% to 16.5% that took effect from 1 April 2008, deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2009 has been measured using the effective rate that will apply in Hong Kong.

In addition, the applicable tax rate for most of the Group's subsidiaries in the PRC has changed to 25% under the new Corporate Income Tax ("CIT") Law effective from 1 January 2008. Also, under the new CIT, certain companies in Internet Group are not able to continue to be qualified as new technology enterprises and can no longer enjoy the preferential tax rate of 7.5% or 15% as they did in the prior years.

9 Discontinued operations

Since 1 January 2007, the Group has ceased to participate in organisation of any sports related event. In 2007, 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.

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

	2008	2007
	HK$'000	HK$'000
Turnover	–	818
Operating expenses	–	(8,455)
Loss on disposal of discontinued operations	–	(1,901)
Operating loss from discontinued operations	–	(9,538)
Interest income	–	491
Taxation	–	–
Loss for the year from discontinued operations	–	(9,047)
Attributable to:		
Minority interest	–	–
Equity holders of the Company	–	(9,047)

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

	2008	2007
	HK$'000	HK$'000
Net cash outflow from operating activities	–	(160,361)
Net cash inflow from investing activities	–	120,590
Net cash inflow from financing activities	–	14,043
Total cash outflow	–	(25,728)

10 Loss attributable to equity holders of the Company

The loss of the Company is HK$251,659,000 (2007: loss of HK$247,836,000) and is included in determining the loss attributable to the equity holders of the Company in the consolidated profit and loss account.

11 Dividends

No dividends had been paid or declared by the Company during the year (2007: HK$Nil).

12 Loss per share

(a) Basic

Continuing operations

The calculation of the basic loss per share is based on consolidated loss from continuing operations attributable to equity holders of the Company of HK$1,394,429,000 (2007(restated): HK$322,058,000) and the weighted average of 3,893,270,558 (2007: 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$Nil (2007: HK$9,047,000) and the weighted average of 3,893,270,558 (2007: 3,893,270,558) ordinary shares in issue during the year.

(b) Diluted

Diluted loss per share is equal to the basic loss per share for the year ended 31 December 2008 and 2007 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 per share.

13 Staff costs, including directors' emoluments

	2008 HK$'000	2007 HK$'000
Wages and salaries	**571,801**	557,822
Pension costs – defined contribution plans	**16,208**	12,637
Pension costs – defined benefit plans (note 33(b))	**3,322**	3,731
Share-based compensation (note 36(c))	**83**	13,692
	591,414	587,882

14 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2008 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 directors								
Mr. Yeung Kwok Mung	38	4,582	50	310	4,980	–	–	4,980
Ms. Mak Soek Fun, Angela	50	3,383	–	218	3,651	–	–	3,651
Ex-executive director								
Ms. Tong Mei Kuen, Tommei	31	2,522	741	401	3,695	–	–	3,695
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 director and member of Audit Committee								
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100	–	–	100
Non-executive directors								
Mr. Frank John Sixt	50	–	–	–	50	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50	–	–	50
Mrs. Chow Woo Mo Fong, Susan	50	–	–	–	50	–	–	50
Mr. Ip Tak Chuen, Edmond	50	–	–	–	50	–	–	50
Ex-non-executive director								
Mr. Wang Lei Lei	34	1,151	6,658	517	8,360	–	–	8,360
Total	753	11,638	7,449	1,446	21,286	–	–	21,286

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

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2007 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. Mak Soek Fun, Angela	84	1,770	391	125	2,370	–	(34)	2,336
Ex-executive director								
Ms. Tong Mei Kuen, Tommei	84	2,250	10,750	150	13,234	–	(34)	13,200
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 director and member of Audit Committee								
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100	–	–	100
Non-executive directors								
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
Ex-non-executive director								
Mr. Wang Lei Lei	84	1,559	6,246	133	8,022	12,767	–	20,789
Total	886	5,579	17,387	408	24,260	12,767	(68)	36,959

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 36).

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.

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the years ended 31 December 2008 and 2007.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors and two ex-directors (2007: two ex-directors) whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining one (2007: three) individual during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,341	6,058
Discretionary bonuses	835	435
Director's fee received from subsidiary of the Group	–	65
Contributions to retirement benefit schemes	–	318
	2,176	6,876
Share-based compensation (#)	–	2,445
	2,176	9,321

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 36).

After taking into account the share-based compensation, the emoluments of this one (2007: three) individual fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	–	2
HK$3,000,001 – HK$3,500,000	–	–
HK$3,500,001 – HK$4,000,000	–	1

15 Fixed assets

	Group						
	Properties HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 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 41(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
At 1 January 2008	14,908	58,547	462,677	195,525	85,209	4,423	821,289
Exchange adjustment	878	1,619	24,593	11,907	2,439	75	41,511
Additions	–	5,625	28,034	5,593	2,759	9,204	51,215
Transfer between categories	–	118	860	7,842	6	(8,826)	–
Disposals	–	(4,326)	(66,556)	(19,467)	(5,706)	(147)	(96,202)
Disposal of a subsidiary (note 41(c))	–	–	(315)	(6,159)	(446)	–	(6,920)
At 31 December 2008	15,786	61,583	449,293	195,241	84,261	4,729	810,893

15 Fixed assets (Continued)

	Group						
	Properties HK$'000	Leasehold improve-ments HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment losses							
At 1 January 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 41(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
At 1 January 2008	3,804	41,551	368,592	93,834	62,621	–	570,402
Exchange adjustment	241	884	20,059	5,236	1,647	–	28,067
Depreciation charge for the year	737	7,399	64,091	23,058	7,545	–	102,830
Disposals	–	(3,371)	(66,624)	(13,446)	(3,920)	–	(87,361)
Disposal of a subsidiary (note 41(c))	–	–	(259)	(4,671)	(267)	–	(5,197)
At 31 December 2008	4,782	46,463	385,859	104,011	67,626	–	608,741
Net book value							
At 31 December 2008	11,004	15,120	63,434	91,230	16,635	4,729	202,152
At 31 December 2007	11,104	16,996	94,085	101,691	22,588	4,423	250,887

15 Fixed assets (Continued)

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

	2008 HK$'000	2007 HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	**10,931**	11,012
Leases of between 10 to 50 years	**73**	92
	11,004	11,104

16 Goodwill

	Group	
	2008 HK$'000	2007 HK$'000
Net book value, at 1 January	**3,663,060**	2,719,455
Exchange adjustment	**200,234**	107,280
Additions arising from acquisition of interests in a subsidiary/subsidiaries	**2,825**	1,085,139
Provision for impairment of goodwill (note 5)	**(1,231,179)**	(163,697)
Disposal of subsidiaries (note 41(c))	**–**	(85,117)
Net book value, at 31 December	**2,634,940**	3,663,060
At 31 December:		
Cost	**4,487,502**	4,279,169
Accumulated amortisation and impairment	**(1,852,562)**	(616,109)
Net book value	**2,634,940**	3,663,060

16 Goodwill (Continued)

(a) Impairment tests for goodwill

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

A segment level of the goodwill allocation is presented below.

	2008				2007			
	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	1,777,178	–	–	1,777,178	2,766,400	–	–	2,766,400
Publishing	116	–	508,841	508,957	116	–	508,976	509,092
Outdoor Media	278,699	–	–	278,699	314,075	–	–	314,075
Television and Entertainment	70,106	–	–	70,106	70,106	3,387	–	73,493
	2,126,099	–	508,841	2,634,940	3,150,697	3,387	508,976	3,663,060

16 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 less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the cost of disposal. Value in use is the present value of the future cash flow expected to be derived from an asset or CGU. The valuation was performed by American Appraisal China Limited on 31 October 2008 and the recoverable amount determined based on the fair value less costs to sell was considered appropriate for each CGU in the Internet Group. 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;
– 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.

16 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 the fair value less cost to sell calculation of the CGUs in the Internet Group and the value-in-use calculations for the other CGUs were:

	Internet Group		Publishing Group			Television and
	Wireless value added services	Other CGUs	CGUs in Mainland China	CGUs in Taiwan	Outdoor Media Group	Entertainment Group
Gross margin[1]	19.9%-25.4%	-43.8%-75%	45%-47%	48%	24%-50%	15%-83%
Growth rate[2]	5%	5%	1%	1%	1%	1%
Discount rate[3]	16.5%	17.5%-29%	7%	7%	8%	8%
Sales multiples[4]	1.25	0.57-3.3	–	–	–	–
EBIT multiples[4]	9.5	3.28-15.5	–	–	–	–
EBITDA multiples[4]	8.5	11.5-13.88	–	–	–	–

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

4 Multiples are used to derive for the entity's indicated value of each CGU under market approach in the Internet Group

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. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the sales, EBIT and EBITDA multiples used were derived with reference to the other comparable companies in the industry.

17 Other intangible assets

	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 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 41(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
At 1 January 2008	91,045	10,164	19,355	193,547	11,011	21,812	346,934
Reclassification from current assets	–	–	75,031	–	–	–	75,031
Exchange adjustment	5,930	671	(4,550)	–	727	1,441	4,219
Additions	21,604	–	53,267	10,400	33	–	85,304
Disposal of a subsidiary (note 41(c))	(2,360)	–	–	–	–	–	(2,360)
Disposal	(20,728)	–	(57,123)	–	–	–	(77,851)
At 31 December 2008	95,491	10,835	85,980	203,947	11,771	23,253	431,277
Accumulated amortisation							
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

17 Other intangible assets (Continued)

	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
At 1 January 2008	54,921	10,083	14,607	186,644	7,953	12,516	286,724
Reclassification from current assets	–	–	39,544	–	–	–	39,544
Exchange adjustment	(7,891)	669	(4,114)	–	530	865	(9,941)
Amortisation charge for the year	24,167	83	60,551	16,319	1,148	4,095	106,363
Provision for Impairment	–	–	–	–	2,115	5,435	7,550
Disposal of a subsidiary (note 41(c))	(1,557)	–	–	–	–	–	(1,557)
Disposal	(8,265)	–	(56,038)	–	–	–	(64,303)
At 31 December 2008	61,375	10,835	54,550	202,963	11,746	22,911	364,380
Net book value							
At 31 December 2008	34,116	–	31,430	984	25	342	66,897
At 31 December 2007	36,124	81	4,748	6,903	3,058	9,296	60,210

18 Interests in subsidiaries

	Company	
	2008	2007
	HK$'000	HK$'000
Investments at cost – unlisted shares	**2,259,567**	2,259,451
Less: Provision for impairment	**(459,528)**	(11,126)
	1,800,039	2,248,325

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 2008 is set out on pages 162 to 167.

19 Interests in jointly controlled entities

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net liabilities – unlisted shares	**(169,805)**	(86,856)
Loans to jointly controlled entities	**81,901**	–
	(87,904)	(86,856)

19 Interests in jointly controlled entities (Continued)

Notes:

(a) The loans to jointly controlled entities as at 31 December 2008 are unsecured, interest bearing at US$ LIBOR plus 1.3% per annum and is repayable on the occurrence of certain clauses specified in the joint venture deed.

(b) 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.

(c) As at 31 December 2008 and 2007, the Group had interests in the following significant jointly controlled entities:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Effective interest held
TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	US$50,000	45.9%

Summarised financial information as below:

	2008 **HK$'000**	2007 HK$'000
Current assets	**93,285**	143,703
Non-current assets	**20,922**	28,858
Current liabilities	**62,292**	61,093
Non-current liabilities	**81,901**	–
Income	**6,486**	10,392
Expenses	**150,019**	214,192

20 Interests in associated companies

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**233,139**	231,093
Share of profits less losses	**13,247**	17,674
Acquisition	**–**	509
Dividend paid	**(20,613)**	(25,793)
Exchange adjustment	**5,615**	9,656
At 31 December	**231,388**	233,139
Included in the balances:		
Goodwill (note (a))		
At 1 January	**134,629**	128,177
Exchange adjustment	**2,100**	6,452
At 31 December	**136,729**	134,629
Other intangible assets (note (a))		
Cost	**65,156**	65,156
Accumulated amortisation	**(21,622)**	(16,726)
	43,534	48,430

20 Interests in associated companies (Continued)

Notes:

(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.

No indication for impairment of goodwill of the associated companies are noted during the year.

(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	
2008							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	113,072	21,054	140,437	33,926	48.5%
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%

21 Financial instruments by category

Group

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Assets as per consolidated balance sheet			
31 December 2008			
Available-for-sale financial assets (note 22)	–	423,063	423,063
Trade and other receivables (note 26)	898,428	–	898,428
Advance to an investee company (note 23)	2,165	–	2,165
Cash and cash equivalents (note 28)	1,328,813	–	1,328,813
Restricted cash (note 27)	2,171	–	2,171
	2,231,577	423,063	2,654,640
31 December 2007			
Available-for-sale financial assets (note 22)	–	1,591,416	1,591,416
Trade and other receivables (note 26)	1,009,038	–	1,009,038
Advance to an investee company (note 23)	2,145	–	2,145
Cash and cash equivalents (note 28)	1,828,396	–	1,828,396
Restricted cash (note 27)	20,176	–	20,176
	2,859,755	1,591,416	4,451,171

21 Financial instruments by category (Continued)

Group (Continued)

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
31 December 2008	
Short-term bank and other loans (note 30)	1,509,381
Long-term bank loans (note 31)	845,007
Trade and other payables (note 29)	1,180,610
	3,534,998
31 December 2007	
Short-term bank and other loans (note 30)	2,515,998
Long-term bank loans (note 31)	1,303,934
Convertible bonds (note 32)	200,138
Trade and other payables (note 29)	1,147,564
	5,167,634

21 Financial instruments by category (Continued)

Company

	Loans and receivables	
	2008	2007
	HK$'000	HK$'000
Assets as per balance sheet		
Cash and cash equivalents (note 28)	**390**	60,985
Other receivables (note 26)	**5,135**	15,649
Amount due from subsidiaries (note 18)	**1,900,869**	2,170,628
	1,906,394	2,247,262

	Other financial liabilities	
	2008	2007
	HK$'000	HK$'000
Liabilities as per balance sheet		
Short-term bank loans (note 30)	**1,450,000**	1,730,480
Other payables (note 29)	**64,332**	118,964
Amount due to subsidiaries (note 18)	**683,668**	887,457
	2,198,000	2,736,901

22 Available-for-sale financial assets

	Group 2008 HK$'000	Group 2007 HK$'000
Listed debt securities		
At 1 January	**1,558,703**	1,913,759
Exchange adjustment	**(1,264)**	2,736
Net gains transferred to equity	**9,683**	38,225
Amortisation of bond premium	**(4,194)**	(6,017)
Redemption upon maturity	**(1,170,012)**	(390,000)
At 31 December	**392,916**	1,558,703
Unlisted equity securities		
At 1 January	**32,713**	72,629
Exchange adjustment	**951**	324
Net losses transferred to equity	**(3,517)**	(4,124)
Disposals	**–**	(32,885)
Reduction of capital	**–**	(3,231)
At 31 December	**30,147**	32,713
	423,063	1,591,416
Less: non-current portion	**(30,147)**	(422,150)
Current portion	**392,916**	1,169,266

22 Available-for-sale financial assets (Continued)

The Group transferred losses of HK$10,843,000 (2007: gain of HK$756,000 due to disposal) from equity to the consolidated profit and loss account due to impairment of an available-for-sale financial asset.

The Group's available-for-sale financial assets include the followings:

	Group	
	2008	2007
	HK$'000	HK$'000
Listed debt securities outside Hong Kong with fixed interest ranging from 3.250% to 4.125% and maturity dates within 2009, at fair value	**392,916**	1,558,703
Unlisted equity securities outside Hong Kong, at cost	**30,147**	32,713
	423,063	1,591,416

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

	2008	2007
	HK$'000	HK$'000
HK$	**1,459**	4,978
US$	**392,916**	1,558,703
NT$	**8,974**	9,134
RMB	**19,714**	18,601
	423,063	1,591,416

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

22 Available-for-sale financial assets (Continued)

The credit ranking for the listed debt securities are ranging from AAA to BBB.

Unlisted equity securities are stated at cost because they do not have quoted market price and the fair value cannot be measured reliably. The management had no intention on disposal of these unlisted equity securities.

In 2007, unlisted debt securities with carrying value amounted to HK$32,885,000 were disposed. The gain recognized were HK$26,029,000.

Except for the impairment of an available-for-sale financial asset disclosed above, none of the other available-for-sale financial assets is either past due or impaired.

23 Advance to an investee company

	Group	
	2008	2007
	HK$'000	HK$'000
Advance to an investee company	**2,165**	2,145

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

The advance to an investee company as at 31 December 2008 and 2007 is interest-free, unsecured and repayable on demand. The carrying amount of the advance to an investee company approximates its fair value.

24 Other non-current assets

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long-term other receivables	**137**	2,761	**–**	–
Deferred expenses	**6,223**	10,773	**–**	1,323
Pension assets (note 33(a))	**–**	2,270	**–**	–
	6,360	15,804	**–**	1,323

25 Inventories

	Group	
	2008	2007
	HK$'000	HK$'000
Merchandise	**13,752**	14,177
Finished goods	**95,813**	102,144
Work in progress	**8,834**	10,603
	118,399	126,924

The cost of inventories recognised as an expense and included in the cost of sales amounted to HK$542,298,000 (2007: HK$460,722,000).

26 Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note c)	**578,457**	556,734	**–**	–
Prepayments, deposits and other receivables (note d)	**319,971**	452,304	**5,135**	15,649
	898,428	1,009,038	**5,135**	15,649

(a) The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 to 90 days. The carrying values of trade and other receivables approximate their fair values.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**28,672**	56,911	**5,135**	15,649
US$	**22,022**	25,604	**–**	–
RMB	**587,138**	641,688	**–**	–
NT$	**257,999**	284,835	**–**	–
Others	**2,597**	–	**–**	–
	898,428	1,009,038	**5,135**	15,649

26 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 2008 and 2007, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**142,391**	180,517
31-60 days	**173,404**	133,840
61-90 days	**104,554**	72,817
Over 90 days	**249,799**	256,419
	670,148	643,593
Less: Provision for impairment	**(91,691)**	(86,859)
	578,457	556,734

	Group	
	2008	2007
	HK$'000	HK$'000
Represented by:		
Receivables from related companies	**2,936**	1,373
Receivables from third parties	**575,521**	555,361
	578,457	556,734

26 Trade and other receivables (Continued)

(c) (Continued)

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$2,756,000 (2007: HK$1,182,000). Trade receivables from minority shareholders of subsidiaries of the Group amounted to HK$180,000 (2007: HK$191,000). These are related to sales of goods and services and licence fee income as shown in note 45(a).

The Group has assessed if there is any impairment on an individual customer 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 2008, the amount of the provision for impairment of trade receivables was HK$91,691,000 (2007: HK$86,859,000).

As at 31 December 2008, trade receivables of HK$158,108,000 (2007: HK$169,560,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008	2007
	HK$'000	HK$'000
Overdue by:		
3 to 6 months	**102,022**	94,380
Over 6 months	**56,086**	75,180
	158,108	169,560

26 Trade and other receivables (Continued)

(c) (Continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**86,859**	79,638
Provision for receivable impairment, net (note 6)	**9,882**	7,070
Amount written off during the year	**(5,744)**	(4,018)
Disposal of a subsidiary	**(4,132)**	–
Exchange adjustment	**4,826**	4,169
Balance at end of the year	**91,691**	86,859

As at 31 December 2008 and 2007, the ageing analyses of the Group's impaired trade receivables were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Over 90 days	**91,691**	86,859

The creation of provision for impaired receivables has been included in other operating expenses in the consolidated profit and loss account (note 6). Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

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

26 Trade and other receivables (Continued)

(d) The Group's other receivables include amounts due from jointly controlled entities, associated companies and related companies of HK$5,902,000 (2007: HK$29,780,000), HK$327,000 (2007: HK$314,000) and HK$24,890,000 (2007: HK$17,441,000) respectively. The total balances due from related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood amounted to HK$692,000 (2007: HK$778,000). The balances due from minority shareholders of subsidiaries of the Group amounted to HK$24,198,000 (2007: HK$16,663,000).

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

27 Restricted cash

At 31 December 2008, restricted cash represented bank deposits and cash of the Group totaling US$Nil (2007: US$2,244,000, or approximately HK$17,500,000), NT$9,200,000 (approximately HK$2,171,000) (2007: NT$8,400,000, or approximately HK$2,021,000) and RMBNil (2007: RMB618,000, or approximately HK$655,000) which were pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return (2007: pledged to banks for securing banking facilities granted to certain subsidiaries of the Company).

The maximum exposure to credit risk at the reporting date is HK$2,171,000 (2007: HK$20,176,000).

28 Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand	**4,724**	2,847	**–**	–
Cash at bank	**1,324,089**	1,825,549	**390**	60,985
	1,328,813	1,828,396	**390**	60,985

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**10,625**	16,692	**13**	190
US$	**179,986**	786,866	**377**	60,795
RMB	**1,020,982**	903,972	**–**	–
NT$	**117,090**	120,866	**–**	–
Others	**130**	–	**–**	–
	1,328,813	1,828,396	**390**	60,985
Maximum exposure to credit risk	**1,324,089**	1,825,549	**390**	60,985

29 Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note b)	**311,492**	267,926	**–**	–
Other payables and accruals (note c)	**869,118**	879,638	**64,332**	118,964
	1,180,610	1,147,564	**64,332**	118,964

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

(b) As at 31 December 2008 and 2007, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	**86,357**	117,373
31-60 days	**55,425**	46,432
61-90 days	**45,253**	27,428
Over 90 days	**124,457**	76,693
	311,492	267,926

	Group	
	2008	2007
	HK$'000	HK$'000
Represented by:		
Payable to related companies	**18,195**	2,747
Payable to third parties	**293,297**	265,179
	311,492	267,926

29 Trade and other payables (Continued)

(b) (Continued)

Total trade payables to related companies beneficially owned by HWL amounted to HK$3,263,000 (2007: HK$2,747,000). The balances due to minority shareholders of subsidiaries of the Group amounted to HK$14,932,000 (2007: HK$Nil). These are related to purchases of goods and services as shown in note 45(b).

(c) The Group's other payables include amounts due to a jointly controlled entity and related companies of HK$14,411,000 (2007: HK$14,460,000) and HK$40,515,000 (2007: HK$28,274,000) respectively. The total balance due to related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood, amounted to HK$32,818,000 (2007: HK$24,818,000). The balance due to minority shareholders of subsidiaries of the Group amounted to HK$7,697,000 (2007: HK$3,456,000).

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.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**107,989**	175,017	**18,002**	75,504
US$	**10,981**	20,040	**–**	–
RMB	**713,099**	637,004	**46,330**	43,460
NT$	**323,833**	315,503	**–**	–
Others	**24,708**	–	**–**	–
	1,180,610	1,147,564	**64,332**	118,964

30 Short-term bank and other loans

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and other loans (note a)				
Secured (note 42)	**–**	725,111	**–**	–
Unsecured	**1,509,381**	1,790,887	**1,450,000**	1,730,480
	1,509,381	2,515,998	**1,450,000**	1,730,480
The bank and other loans are denominated in the following currencies:				
US$	**–**	1,804,166	**–**	1,730,480
HK$	**1,450,000**	635,684	**1,450,000**	–
RMB	**381**	16,098	**–**	–
NT$	**59,000**	60,050	**–**	–
	1,509,381	2,515,998	**1,450,000**	1,730,480

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

31 Long-term bank loans

	Group 2008 HK$'000	Group 2007 HK$'000
Secured (note 42)	**354,363**	707,277
Unsecured	**490,644**	596,657
	845,007	1,303,934
Less: current portion of long-term bank loans	**(449,533)**	(466,260)
	395,474	837,674
The bank loans are repayable as follows:		
Within one year	**449,533**	466,260
In the second year	**117,924**	435,151
In the third to fifth year	**277,308**	402,251
Wholly repayable within 5 years	**844,765**	1,303,662
After the fifth year	**242**	272
	845,007	1,303,934

31 Long-term bank loans (Continued)

	2008 HK$'000	2007 HK$'000
The bank loans are denominated in the following currencies:		
US$	**353,911**	706,766
NT$	**490,644**	596,657
Malaysian Ringgit ("MYR")	**452**	511
	845,007	1,303,934

These long-term bank loans are interest bearing at prevailing market rates ranging from primary Commercial Paper rate (CP rate) plus 1.25% to 8.75%. Their carrying amounts approximate their fair values.

32 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.

32 Convertible bonds (Continued)

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 liabilities in prior 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 37).

On 28 November 2008, the Convertible Bonds were redeemed at 103.86% of the principal amount, plus any accrued interest.

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

	2008 **HK$'000**	2007 HK$'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	**178,641**	168,994
Accumulated coupon interest paid	**(19,314)**	(18,375)
Buy-back of convertible bonds	**(47,846)**	(47,846)
Maturity/early redemption of convertible bonds	**(1,075,246)**	(866,400)
Carrying amount at 31 December	**–**	200,138

Interest expense was 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 approximated its fair value.

33 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.

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

	Group	
	2008	2007
	HK$'000	HK$'000
Present value of funded obligations (note c)	**58,170**	60,358
Fair value of plan assets (note d)	**(28,668)**	(31,616)
Unrecognised prior service cost	**142**	290
Recognised in the consolidated balance sheet	**29,644**	29,032
Represented by:		
Pension assets (note 24)	**–**	(2,270)
Pension obligations	**29,644**	31,302
	29,644	29,032

33 Pension assets and obligations (Continued)

(a) (Continued)

	2008 HK$'000	2007 HK$'000
Actuarial (losses)/gains recognised in the Consolidated Statement of Recognised Income and Expense ("SORIE") in the year (before tax)	(280)	549
Cumulative actuarial losses recognised in the SORIE (before tax)	(1,018)	(738)

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

	Group	
	2008 HK$'000	2007 HK$'000
Current service cost	3,439	3,685
Interest cost	1,690	1,589
Expected return on plan assets	(1,665)	(1,434)
Others	(142)	(109)
Total, included in staff costs (note 13)	3,322	3,731

The actual return on plan assets was a loss of HK$2,481,000 (2007: gain of HK$3,898,000).

33 Pension assets and obligations (Continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**60,358**	55,021
Exchange adjustment	**(858)**	210
Service cost	**3,439**	3,685
Interest cost	**1,690**	1,589
Actuarial (gain)/loss	**(3,866)**	1,915
Others	**(2,593)**	(2,062)
At 31 December (note a)	**58,170**	60,358

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

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**31,616**	27,230
Exchange adjustment	**(315)**	81
Expected return on plan assets	**1,665**	1,434
Actuarial (loss)/gain	**(4,146)**	2,464
Contribution by employer	**1,590**	2,004
Others	**(1,742)**	(1,597)
At 31 December (note a)	**28,668**	31,616

The estimated contribution by the Group for the year 2009 will be amounted to HK$3,076,000.

33 Pension assets and obligations (Continued)

(e) Fair value of the plan assets are analysed as follows:

	Group 2008	2007
Cash/Treasury	**78%**	66%
Equities	**15%**	28%
Bonds	**7%**	6%

The principal actuarial assumptions used are as follows:

	Group 2008	2007
Discount rate	**1.6% – 2.75%**	2.75%-3.3%
Expected rate of return on plan assets	**2.75% – 7.0%**	2.75%-8.0%
Expected rate of future salary increases	**3.0%**	3.0%-5.0%

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:

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Present value of defined benefit obligation	**(58,170)**	(60,358)	(55,021)	(43,843)	(45,130)
Fair value of plan assets	**28,668**	31,616	27,230	24,730	19,720
Deficit	**(29,502)**	(28,742)	(27,791)	(19,113)	(25,410)
Experience adjustments on plan liabilities	**5,423**	(1,075)	(6,423)	5,394	1,848
Experience adjustments on plan assets	**(4,559)**	2,464	581	28	(527)

34 Deferred taxation

(a) Deferred tax assets

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**54,099**	42,896
Exchange adjustment	**(578)**	1,122
(Charged)/credited to consolidated profit and loss account (note c)	**(1,678)**	10,081
At 31 December	**51,843**	54,099
Amount to be recovered after more than one year	**11,724**	11,688

(b) Deferred tax liabilities

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**14,632**	11,617
Exchange adjustment	**637**	209
(Credited)/charged to consolidated profit and loss account (note c)	**(350)**	2,806
At 31 December	**14,919**	14,632
Amount to be payable after more than one year	**14,919**	14,632

34 Deferred taxation (Continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred tax assets (note a)	**(1,678)**	10,081
Deferred tax liabilities (note b)	**350**	(2,806)
Deferred taxation (charged)/credited to consolidated profit and loss account (note 8)	**(1,328)**	7,275

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

Deferred tax assets

	Group							
	Tax losses		Provisions		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,883**	91	**42,918**	37,660	**8,803**	5,347	**54,604**	43,098
Exchange adjustment	**(471)**	–	**(1,288)**	219	**676**	903	**(1,083)**	1,122
(Charged)/credited to consolidated profit and loss account	**(2,412)**	2,792	**(1,511)**	5,039	**2,245**	2,553	**(1,678)**	10,384
At 31 December	**–**	2,883	**40,119**	42,918	**11,724**	8,803	**51,843**	54,604

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 2008 of HK$3,582,839,000 (2007: HK$3,248,742,000) that can be carried forward against future taxable income. Losses amounting to HK$1,898,003,000 will be expired from 2009 to 2015, and HK$1,684,836,000 has no expiry terms.

34 Deferred taxation (Continued)

(d) (Continued)

Deferred tax liabilities

	Group					
	Accelerated tax Depreciation		Others		Total	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
At 1 January	**227**	–	**14,910**	11,819	**15,137**	11,819
Exchange adjustment	**–**	–	**132**	209	**132**	209
(Credited)/charged to consolidated profit and loss account	**–**	227	**(350)**	2,882	**(350)**	3,109
At 31 December	**227**	227	**14,692**	14,910	**14,919**	15,137

(e) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**51,843**	54,099
Deferred tax liabilities	**(14,919)**	(14,632)
	36,924	39,467

35 Share capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2008 and 2007	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 2008 and 2007	3,893,270,558	389,328

36 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 the 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.

36 Share option schemes (Continued)

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

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.

36 Share option schemes (Continued)

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

Movements in share options are as follows:

Pre-IPO Share Option Plan	2008 Weighted average exercise price HK$	2008 Number of share options	2007 Weighted average exercise price HK$	2007 Number of share options
Outstanding at 1 January	1.78	16,196,000	1.78	16,196,000
Lapsed	1.78	(9,080,000)	–	–
Outstanding at 31 December	1.78	7,116,000	1.78	16,196,000
Exercisable at 31 December	1.78	7,116,000	1.78	16,196,000

Old Option Scheme	2008 Weighted average exercise price HK$	2008 Number of share options	2007 Weighted average exercise price HK$	2007 Number of share options
Outstanding at 1 January	3.62	65,362,000	3.32	150,648,000
Lapsed	–	–	2.55	(5,000,000)
Cancelled	2.90	(9,334,000)	3.12	(80,286,000)
Outstanding at 31 December	3.74	56,028,000	3.62	65,362,000
Exercisable at 31 December	3.74	56,028,000	3.62	65,362,000

36 Share option schemes (Continued)

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

Terms of the share options outstanding at 31 December 2008 are:

Expiry date	Exercise price	2008	2007
10 February – 14 November 2010	HK$1.78 – HK$11.30	**28,932,000**	38,818,000
8 October 2013	HK$2.505	**34,212,000**	37,740,000
15 February 2014	HK$2.55	**–**	5,000,000
		63,144,000	81,558,000
Weighted average remaining contractual life (year)		**3.32**	4.23

(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.

In September 2007, upon the privatisation of TOM Online, all of the share options were cancelled.

36 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$83,000 (2007: HK$13,692,000) (note 13).

37 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 2007, as previously reported	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
Opening adjustment (note a)	–	–	–	–	–	31,186	–	(31,186)	–
At 1 January 2007, as restated	3,625,981	114,508	776	111,285	(43,823)	115,263	30,879	(1,410,196)	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, as restated	–	–	–	–	–	–	–	(331,105)	(331,105)
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 (as restated)	–	–	–	161	(5)	168,605	–	–	168,761
Reserve realised upon disposal	–	(53)	–	–	(756)	5,399	–	–	4,590
At 31 December 2007, as restated	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,427,522

37 Reserves (Continued)

	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 2008, as previously reported	3,625,981	38,354	776	123,455	(15,137)	224,347	30,879	(1,601,133)	2,427,522
Opening adjustment (note a)	–	–	–	–	–	64,920	–	(64,920)	–
At 1 January 2008, as restated	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,427,522
Investment revaluation surplus	–	–	–	–	5,452	–	–	–	5,452
Employee share option schemes – value of employee services	–	83	–	–	–	–	–	–	83
Loss for the year	–	–	–	–	–	–	–	(1,394,429)	(1,394,429)
Net actuarial loss on defined benefit plan	–	–	–	–	–	–	–	(904)	(904)
Transfer to general reserve	–	–	–	5,793	–	–	–	(5,793)	–
Exchange difference	–	–	–	–	–	260,743	–	–	260,743
Transfer to profit and loss	–	–	–	–	10,843	–	–	–	10,843
Maturity of convertible bonds	–	–	–	–	–	–	(30,879)	30,879	–
At 31 December 2008	3,625,981	38,437	776	129,248	1,158	550,010	–	(3,036,300)	1,309,310

37 Reserves (Continued)

	Company					
	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 January 2008	4,100,475	38,600	23,565	776	(2,786,491)	1,376,925
Employee share option schemes						
– value of employee services	–	83	–	–	–	83
Profit for the year	–	–	–	–	(251,659)	(251,659)
At 31 December 2008	4,100,475	38,683	23,565	776	(3,038,150)	1,125,349

Notes:

(a) In prior years, a previously listed subsidiary of the Group, which was required to report under the accounting principles generally accepted in the United States of America, recorded non-cash foreign exchange translation differences arising from its available-for-sale debt securities directly into its reserves. However, the Group is required under the accounting principles generally accepted in Hong Kong to record these non-cash foreign exchange translation differences arising from available-for-sale debt securities in profit and loss account, and accordingly, the comparative figures have been restated to reflect this alignment of accounting policy. After the alignment, there will no longer be any differences in the accounting treatment with respect to these available-for-sale debt securities.

The application of the Group's accounting policy to these non-cash foreign exchange translation differences has no effect on the carrying value of the Group's available-for-sale debt securities, the Group's cash and net asset value position, the Group's shareholders' funds, minority interests and total equity, and the Company's reserves available for distribution calculated under Companies Law of the Cayman Islands as previously reported.

37 Reserves (Continued)

Notes: (Continued)

(a) (Continued)

The effects of the restatement on the Group's consolidated accounts for the year ended 31 December 2007 are:

Effect on the Group's total equity as at 1 January 2007	HK$'000
Increase in exchange reserve	31,186
Increase in accumulated losses	(31,186)
Effect on other reserves	–
Net effect on total equity	–

Effect on the Group's consolidated profit or loss account for the year ended 31 December 2007	HK$'000
Increase in loss for the year	45,581
Increase in loss attributable to minority interests for the year	(11,847)
Increase in loss attributable to equity holders of the Company for the year	33,734
Increase in basic loss per share	
– from continuing operations attributable to equity holders of the Company for the year (HK cents)	0.86
– from discontinued operations attributable to equity holders of the Company for the year (HK cents)	–

Effect on the Group's total equity as at 31 December 2007	HK$'000
Increase in exchange reserve	64,920
Increase in accumulated losses	(64,920)
Effect on other reserves	–
Net effect on total equity	–

(b) 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$1,085,890,000 (2007: HK$1,337,549,000).

38 Own shares held

	No. of shares	HK$'000
At 1 January 2007 and 31 December 2007	3,043,771	6,244
At 1 January 2008 and 31 December 2008	3,043,771	6,244

39 Minority interests

	2008 HK$'000	2007 HK$'000 (As restated)
At 1 January	**687,780**	1,394,021
Loss for the year attributable to minority interests	**(80,372)**	(37,370)
Exchange difference	**32,501**	57,899
Revaluation surplus on available-for-sale financial assets	**714**	4,654
Actuarial gain/(loss) on defined benefit plan	**624**	(405)
Recognised income and (expense) attributable to minority interests	**(46,533)**	24,778
Acquisition of interests in subsidiaries (note 40(a), 41(b))	**(2,775)**	(716,842)
Dividend to minority interests	**(72,373)**	(13,742)
Disposal of a subsidiary/subsidiaries (note 41(c))	**(265)**	(17,717)
Employee share option scheme-value of employee services attributable to minority interests	**–**	3,490
Contribution from minority interests	**4,263**	14,201
Others	**(177)**	(409)
At 31 December	**569,920**	687,780

40 Business combinations and transaction with minority interests

(a) Acquisition of additional interests in Beijing Huan Jian Shu Meng Network Technology Limited ("HJSM")

On 23 May 2008, the Group, through a wholly owned subsidiary, Beijing LingXun Interactive Science Technology and Development Company Limited, entered into an agreement to acquire an additional 25% interests in HJSM for a consideration of RMB5,000,000 (approximately HK$5,600,000). As a result of the acquisition, the Group's interest in HJSM increased from 75% to 100%.

The allocation of the consideration is as follows:

	HK$'000
Minority interests acquired (note 39)	2,775
Goodwill (note 16)	2,825
	5,600
Satisfied by:	
Cash	3,420
Payables and direct costs incurred	2,180
	5,600

The goodwill is attributable to the expected further synergies that will be brought to the business of TOM Online Group as a whole after the acquisition.

(b) Acquisition of additional interests in TOM Online Inc. ("TOMO") in 2007

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%.

40 Business combinations and transaction with minority interests (Continued)

(b) Acquisition of additional interests in TOM Online Inc. ("TOMO") in 2007 (Continued)

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.

(c) Acquisition of Pixnet Digital Media Corporation ("Pixnet") in 2007

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.

40 Business combinations and transaction with minority interests (Continued)

(c) Acquisition of Pixnet Digital Media Corporation ("Pixnet") in 2007 (Continued)

The allocation of costs of acquisitions is as follows:

	HK$'000
Fixed assets (note 15)	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.

(d) Acquisition of additional interest in Mook Publications Co. ("Mook") in 2007

In September 2007, Cite Publishing Limited, in which the Group has 82.5% interests, 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). As a result of the acquisition, Cite Publishing Limited's interests in Mook increased from 83.32% to 100%.

41 Notes to the consolidated cash flow statement

(a) Reconciliation of loss before taxation to net cash inflow from operations

	2008 HK$'000	2007 HK$'000 (As restated)
Loss before taxation		
From continuing operations	**(1,437,176)**	(309,825)
From discontinued operations	**–**	(9,047)
	(1,437,176)	(318,872)
Finance costs, net	**69,421**	78,174
Amortisation and depreciation	**209,193**	165,043
Dividend income on available-for-sale financial assets	**(1,727)**	–
Share of losses of jointly controlled entities	**76,683**	104,303
Share of profits less losses of associated companies	**(13,247)**	(17,674)
Provision for impairment of goodwill and other assets	**1,249,572**	163,697
Provision for impairment of trade receivables	**9,882**	7,070
Provision for inventories	**18,879**	30,677
Loss on disposal of fixed assets	**6,806**	5,774
Loss on disposal of other intangible assets	**13,548**	1,076
Share-based compensation	**83**	13,692
Loss on disposal of a subsidiary (note c)	**–**	9,193
Gain on disposal of available-for-sale financial assets	**–**	(26,029)
From discontinued operations		
Interest income	**–**	(491)
Amortisation and depreciation	**–**	48
Loss on disposal of subsidiaries (note c)	**–**	1,901
	201,917	217,582
Decrease/(increase) in long-term other receivables	**2,624**	(169)
Decrease/(increase) in pension assets	**2,270**	(1,667)
Increase in inventories	**(10,354)**	(27,533)
Decrease/(increase) in trade and other receivables	**40,166**	(55,731)
Increase in trade and other payables	**58,535**	99,513
(Decrease)/increase in pension obligations	**(1,938)**	3,024
Exchange adjustments	**74,556**	111,566
Net cash inflow from operations	**367,776**	346,585

41 Notes to the consolidated cash flow statement (Continued)

(b) Acquisition of interests in subsidiaries

	2007
	HK$'000
Net assets acquired:	
Fixed assets (note 15)	398
Trade and other receivables	35
Bank balances and cash	27,321
Trade and other payables	(41)
Minority interests (note 39)	716,842
	744,555
Goodwill (note 16)	1,085,139
	1,829,694
Satisfied by:	
Cash	1,610,442
Payables and direct costs incurred	219,252
	1,829,694
Analysis of the net cash outflow in respect of the acquisition of interests in a subsidiary/subsidiaries:	
Cash consideration	(1,610,442)
Bank balances and cash acquired	27,321
Net cash outflow in respect of acquisition of interests in a subsidiary/subsidiaries	(1,583,121)

In 2007, the subsidiary acquired contributed net operating cash outflows of HK$7,285,000 to the Group's net operating cash inflows.

41 Notes to the consolidated cash flow statement (Continued)

(c) Disposal of a subsidiary/subsidiaries

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Goodwill (note 16)	–	85,117
Fixed assets	**1,723**	3,247
Other intangibles assets (note 17)	**803**	27,300
Other non-current assets	–	47,358
Inventories	–	–
Trade and other receivables	**3,669**	49,120
Bank balances and cash	**809**	4,083
Trade and other payables	**(6,705)**	(16,734)
Taxation payable	**(34)**	3,217
Minority interests (note 39)	**(265)**	(17,717)
Exchange reserve	–	5,399
	–	190,390
Loss on disposal of a subsidiary/subsidiaries (note a)	–	(11,094)
	–	179,296
Satisfied by:		
Consideration receivable	–	886
Cash	–	189,519
Direct cost incurred	–	(11,109)
	–	179,296
Analysis of the net cash (outflow)/inflow in respect of the disposal of a subsidiary/subsidiaries:		
Cash consideration	–	189,519
Bank balances and cash disposed of	**(809)**	(4,083)
Net cash (outflow)/inflow in respect of disposal of a subsidiary/subsidiaries	**(809)**	185,436

41 Notes to the consolidated cash flow statement (Continued)

(d) Analysis of changes in financing during the year

	Bank and other loans HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 January 2008	3,819,932	200,138	4,020,070
New bank and other loans	379,000	–	379,000
Loan repayments	(1,834,257)	–	(1,834,257)
Maturity of convertible bonds	–	(208,846)	(208,846)
Net cash used in financing activities	(1,455,257)	(208,846)	(1,664,103)
Interest expenses for the year, net of interest payment	–	8,708	8,708
Exchange adjustment	(10,287)	–	(10,287)
	(10,287)	8,708	(1,579)
At 31 December 2008	2,354,388	–	2,354,388
At 1 January 2007	2,726,791	191,023	2,917,814
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
Interest expenses for the year, net of interest payment	–	9,115	9,115
Exchange adjustment	7,373	–	7,373
	7,373	9,115	16,488
At 31 December 2007	3,819,932	200,138	4,020,070

42 Pledge of assets

Save as disclosed in note 27, the Group has the following pledge of assets:

(a) At 31 December 2008, available-for-sale financial assets with a total market value of approximately HK$392,916,000 (2007: HK$1,558,703,000) were pledged to banks for securing bank loans totalling HK$353,911,000 (2007: HK$1,416,000,000).

(b) At 31 December 2008, properties with a total net book value of HK$796,000 (2007: HK$851,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

43 Contingent liabilities

In September 2008, a subsidiary of the Group in Taiwan received a revised income tax assessment for the year ended 31 December 2004 from the local tax authority. In this revised tax assessment, the tax authority claimed that an amortisation of intangible assets amounting to approximately NT$44 million (approximately HK$10 million) was not deductible from the assessable profits of the subsidiary in 2004. This gave rise to a potential additional income tax liability to the Group of approximately NT$11 million (approximately HK$3 million).

The subsidiary has engaged and consulted with an external tax representative on this matter. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Accordingly, the subsidiary has filed an appeal to the tax authority and requested for a re-examination of the deductibility of the amortisation charge from the assessable profit of the subsidiary in 2004. Up to the date of these accounts, the appeal is still pending and no results have been finalised.

Should the tax appeal by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2005 to 2008 would also be revised on a similar basis as that of year 2004. The total incremental tax liability to the Group thereon is approximately NT$155 million (approximately HK$36.6 million). Nevertheless, based on the consultation with the tax representative, management considers that the amortisation charge should be tax deductible under the tax rules in Taiwan and so no provision for such potential tax liability has been made in the Group's consolidated accounts for the year ended 31 December 2008.

44 Commitments

(a) Capital commitments

Save as disclosed in note (b) below, the Group's maximum capital commitments as at 31 December 2008 are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Acquisition of/loans to new investments		
– Contracted but not provided for	**213,416**	200,196
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	**110,837**	248,856
	324,253	449,052

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

As at 31 December 2008, shareholder's loan of US$10,500,000 (approximately HK$81,901,000) from TOMO has been advanced to the Joint Venture. Therefore, the outstanding commitment of the Group in respect of the Joint Venture totalled US$14,500,000 (approximately HK$113,100,000) as at 31 December 2008 (2007: HK$156,000,000).

44 Commitments (Continued)

(c) Commitments under operating leases

At 31 December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings	Other assets	Land and buildings	Other assets
	HK$'000	HK$'000	HK$'000	HK$'000
No later than one year	44,307	97,667	50,586	93,065
Later than one year and no later than five years	9,025	173,455	36,521	148,100
Later than five years	185	7,845	–	9,462
	53,517	278,967	87,107	250,627

45 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 26 and 29 to the accounts, is set out below:

(a) Sales of goods and services and licence income

	Group	
	2008	2007
	HK$'000	HK$'000
Sales to		
– HWL and its subsidiaries	23,854	14,004
– Minority shareholders of subsidiaries and their subsidiaries	5,413	5,006

All the transactions with related parties were entered into in accordance with terms agreed by the relevant parties.

Year-end balances due from these related companies arising from sales of goods and services and licence income are shown in note 26(c).

45 Related party transactions (Continued)

(b) Purchase of goods and services

	Group	
	2008	2007
	HK$'000	HK$'000
Purchase of services payable to		
– minority shareholders of subsidiaries and their subsidiaries	**19,485**	–
Rental payable to		
– an associated company of CKH	**10,382**	10,982
– a subsidiary of CKH	**9,372**	7,424
– minority shareholders of subsidiaries and their subsidiaries	**1,404**	1,077
Service fees payable to		
– HWL and its subsidiaries	**11,611**	8,759
Interest expenses payable to minority shareholders of subsidiaries and their subsidiaries	**1,897**	1,404

All the transactions with related parties were entered into in accordance with terms agreed by the relevant parties.

Year-end balances due to these related companies arising from purchase of goods and services are shown in notes 29(b) and 29(c).

(c) Key management compensation

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

46 Subsequent events

Apart from the acceptance of two 3-year term loans amounting to approximately HK$790 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.

47 Comparative figures

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

48 Approval of accounts

The accounts were approved by the board of directors on 25 March 2009.

	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%
	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 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%

	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	90.002%
	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%
	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.	Cayman Islands, 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-mail 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%
	Sharkwave Asia Pacific Limited	Hong Kong, limited liability company	Provision of online NBA programmes in Mainland China, Hong Kong and Taiwan	2 ordinary shares of HK$1 each	90.002%
[1]	TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	Operation of a mobile and Internet-based marketplace in Mainland China	100 ordinary shares of US$1 each	45.9%

	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%
@	Chongqing TOM Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB6,000,000	33.15%
@	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	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%
@	Shanghai TOM International Outdoor Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	65%

	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)				
@	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%
	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	48.5%
	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%

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 (Continued)				
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	Cayman Islands, 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%

	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%
	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	37,076 ordinary shares of HK$0.3 each	70.93%
	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%
	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 2008 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 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.

"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.

TOM Group Limited
48/F, The Center
99 Queen's Road Central
Central, Hong Kong

Telephone: (852) 2121 7838
Fax: (852) 2186 7711
www.tomgroup.com