



TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2383)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

HIGHLIGHTS

For the year ended 31 December 2007

- Group revenues were HK\$2,683 million
- Operating profit was HK\$176 million*
- Loss attributable to shareholders was HK\$297 million
- Loss per share from continuing operations was HK7.41 cents
- Net asset value per share was HK72 cents

**Excluding the goodwill impairment of HK\$164 million relating to Internet and TV & Entertainment businesses and the share of TOM Eachnet's loss of HK\$104 million*

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

Frank Sixt
Chairman

Hong Kong, 26 March 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATION REVIEW

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

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

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

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

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

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

BUSINESS REVIEW

INTERNET GROUP

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

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

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

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

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

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

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

To capitalise on the increasing trend towards social networking websites, in early 2008, we launched a new user interface for our portal. With the widgetisation and modulation of our portal, it is now well positioned to become a more application and tool centric integrative and interactive platform and will envisage to offer more choices in the services and products to our users which serves to boost user stickiness and traffic. To this end, we have 1) launched a new home page

with a personalisation function; 2) introduced user-generated content with more interactivity functions; and 3) launched a new TOM portal universal log-in system which enables seamless integration of different services/offerings (VoIP and online shopping) which makes our offerings more integral in terms of cross-channel (sports, music and entertainment) and cross-platforms (Skype, portal and mobile). Such an augmented redesign is expected to be able to strengthen synergies across different businesses in TOM Online as well as other businesses within TOM Group.

PUBLISHING GROUP

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

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

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

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

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

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

1 in respect of both market share and average circulation of digital related magazine. The overall market share of *DG Best* was over 20%. The coverage of *DG Best* was also 12.7% higher than the average of its competitors.

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

OUTDOOR MEDIA GROUP

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

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

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

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

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

TELEVISION AND ENTERTAINMENT GROUP

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

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

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

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

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

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

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

FINANCIAL REVIEW

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

Revenue

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

Segmental Results

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

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

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

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

Operating Expenses

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

Operating Loss

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

Loss Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

As at 31 December 2007, the Group had net current liabilities of approximately HK\$233 million, as compared with net current assets of approximately HK\$864 million as at 31 December 2006. In March 2008, the Group has accepted an offer from a financial institution for a one-year loan facility of US\$160 million (approximately HK\$1,248 million) commencing April 2008. Basing on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future.

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

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

Charges on Group Assets

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

Foreign Exchange Exposure

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

Contingent Liabilities

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

Employee Information

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

AUDITED CONSOLIDATED RESULTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 HK\$'000	2006 HK\$'000 (As restated)
Continuing operations			
Turnover	3	2,682,615	2,798,664
Cost of sales		(1,762,975)	(1,699,321)
Interest income		93,990	108,812
Selling and marketing expenses		(332,023)	(322,671)
Administrative expenses		(230,552)	(250,537)
Other operating expenses		(292,809)	(321,384)
Gain on early redemption and buy-back of convertible bonds		-	20,669
Net gain on deemed disposals of interests in subsidiaries	5	-	24,601
Provision for impairment of goodwill and other assets	4	(163,697)	(36,044)
Share of losses of jointly controlled entities		(104,303)	(758)
Share of profits less losses of associated companies		17,674	9,876
Operating (loss) / profit	6	(92,080)	331,907
Finance costs	7	(172,164)	(145,070)
(Loss) / profit before taxation		(264,244)	186,837
Taxation	8	(49,603)	(33,137)
(Loss) / profit for the year from continuing operations		(313,847)	153,700
Discontinued operations			
Loss for the year from discontinued operations	9	(9,047)	(34,085)
(Loss) / profit for the year		(322,894)	119,615
Attributable to:			
Minority interests		(25,523)	87,654
Equity holders of the Company		(297,371)	31,961
(Loss) / earnings per share for (loss) / profit from continuing operations attributable to the equity holders of the Company during the year	11		
Basic		HK(7.41) cents	HK1.67 cents
Diluted		HK(7.41) cents	HK1.67 cents
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the year	11		
Basic		HK(0.23) cents	HK(0.85) cents
Diluted		HK(0.23) cents	HK(0.85) cents

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Note	2007 HK\$'000	2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		250,887	302,314
Goodwill		3,663,060	2,719,455
Other intangible assets		60,210	104,316
Interests in jointly controlled entities		(86,856)	14,171
Interests in associated companies		233,139	231,093
Available-for-sale financial assets		422,150	1,986,388
Advance to investee companies		2,145	2,091
Deferred tax assets		54,099	42,896
Other non-current assets		15,804	19,501
		<u>4,614,638</u>	<u>5,422,225</u>
Current assets			
Available-for-sale financial assets		1,169,266	-
Assets classified as held for sale		-	93,973
Inventories		126,924	130,068
Trade and other receivables	12	1,009,038	988,133
Restricted cash		20,176	37,546
Bank balances and cash		1,828,396	1,618,778
		<u>4,153,800</u>	<u>2,868,498</u>
Current liabilities			
Liabilities classified as held for sale		-	7,920
Trade and other payables	13	1,147,564	945,909
Taxation payable		56,484	56,858
Long-term bank loans – current portion		466,260	265,786
Short-term bank and other loans		2,515,998	727,569
Convertible bonds		200,138	-
		<u>4,386,444</u>	<u>2,004,042</u>
Net current (liabilities) / assets		<u>(232,644)</u>	<u>864,456</u>
Total assets less current liabilities		<u>4,381,994</u>	<u>6,286,681</u>
Non-current liabilities			
Deferred tax liabilities		14,632	11,617
Other non-current liabilities	14	868,976	1,953,286
		<u>883,608</u>	<u>1,964,903</u>
Net assets		<u>3,498,386</u>	<u>4,321,778</u>
EQUITY			
Share capital		389,328	389,328
Reserves	15	2,427,522	2,544,673
Own shares held		(6,244)	(6,244)
		<u>2,810,606</u>	<u>2,927,757</u>
Shareholders' funds		<u>2,810,606</u>	<u>2,927,757</u>
Minority interests		687,780	1,394,021
Total equity		<u>3,498,386</u>	<u>4,321,778</u>

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

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

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and interpretations are mandatory for financial year ended 31 December 2007:

HKFRS 7	“Financial Instruments: Disclosures” and the complementary amendment to HKAS 1, ‘Presentation of financial statements – Capital disclosures’
HK(IFRIC)-Int 7	“Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies”
HK(IFRIC)-Int 8	“Scope of HKFRS 2”
HK(IFRIC)-Int 9	“Re-assessment of Embedded Derivatives”
HK(IFRIC)-Int 10	“Interim Financial Reporting and Impairment”

All the new standards, amendments to standards and interpretations above are either not relevant or do not have material impacts to the Group.

2. Segment reporting

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 financial statements.

3. Turnover, revenue and segment information

Primary reporting format - business segments

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

	As at / For the year ended 31 December 2007				
	Internet group	Publishing group	Outdoor media group	Television and entertainment group	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

3. Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

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

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

3. Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	Turnover					
	Year ended 31 December 2007			Year ended 31 December 2006 (As restated)		
	Continuing operations	Discontinued operations	Consolidated Total	Continuing operations	Discontinued operations	Consolidated Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	16,540	-	16,540	15,785	-	15,785
Mainland China	1,740,025	818	1,740,843	1,823,574	112,250	1,935,824
Taiwan and other Asian countries	926,050	-	926,050	959,305	-	959,305
	<u>2,682,615</u>	<u>818</u>	<u>2,683,433</u>	<u>2,798,664</u>	<u>112,250</u>	<u>2,910,914</u>
	<u><u>2,682,615</u></u>	<u><u>818</u></u>	<u><u>2,683,433</u></u>	<u><u>2,798,664</u></u>	<u><u>112,250</u></u>	<u><u>2,910,914</u></u>
	Operating (loss) / profit					
	Year ended 31 December 2007			Year ended 31 December 2006 (As restated)		
	Continuing operations	Discontinued operations	Consolidated Total	Continuing operations	Discontinued operations	Consolidated Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	(7,973)	-	(7,973)	(8,618)	-	(8,618)
Mainland China	244,873	(9,490)	235,383	396,454	(22,330)	374,124
Taiwan and other Asian countries	129,381	-	129,381	133,346	-	133,346
	<u>366,281</u>	<u>(9,490)</u>	<u>356,791</u>	<u>521,182</u>	<u>(22,330)</u>	<u>498,852</u>
Amortisation and depreciation	(162,731)	(48)	(162,779)	(163,890)	(581)	(164,471)
Provision for impairment of goodwill and other assets	(163,697)	-	(163,697)	(36,044)	(11,000)	(47,044)
Share of losses of jointly controlled entities	(104,303)	-	(104,303)	(758)	-	(758)
Share of profits / (losses) of associated companies	17,674	-	17,674	9,876	(899)	8,977
Net gain on deemed disposals of interests in subsidiaries	-	-	-	24,601	-	24,601
Unallocated (costs) / income, net	<u>(45,304)</u>	<u>491</u>	<u>(44,813)</u>	<u>(23,060)</u>	<u>593</u>	<u>(22,467)</u>
Operating (loss) / profit	<u><u>(92,080)</u></u>	<u><u>(9,047)</u></u>	<u><u>(101,127)</u></u>	<u><u>331,907</u></u>	<u><u>(34,217)</u></u>	<u><u>297,690</u></u>

3. Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments (Continued)

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

4. Provision for impairment of goodwill and other assets

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

The amount recorded in 2006 represented a provision for impairment of assets held for sale of HK\$36,044,000, and a provision for impairment of goodwill of HK\$11,000,000 for the Sports Group (note 9). The provision for impairment of goodwill, which was related to the business of a sports event in Mainland China, was made with reference to the estimated disposal value of that business less costs to sell.

5. Net gain on deemed disposals of interests in subsidiaries

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

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

6. Operating (loss)/profit

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

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

7. Finance costs

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

8. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. The amount of taxation charged to the consolidated profit and loss account represents:

	2007 HK\$'000	2006 HK\$'000 (As restated)
Continuing operations		
Overseas taxation	56,848	37,580
Under / (over)-provision in prior years	30	(1,862)
Deferred taxation	(7,275)	(2,581)
Taxation charges	<u>49,603</u>	<u>33,137</u>
Discontinued operations		
Over provision in prior years (note 9)	-	(132)

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

9. Discontinued operations

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

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

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

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

10. Dividends

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

11. (Loss)/earnings per share

(a) Basic

Continuing operations

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

Discontinued operations

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

(b) Diluted

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2007 and 2006 as the exercise price of the outstanding share options granted by the Company were higher than the average market price of the share of the Company, and the conversion of the outstanding convertible bonds would have an anti-dilutive effect on (loss)/earnings per share.

12. Trade and other receivables

	Group	
	2007	2006
	HK\$'000	HK\$'000
Trade receivables (note b)	556,734	555,227
Prepayments, deposits and other receivables	452,304	432,906
	<u>1,009,038</u>	<u>988,133</u>

- (a) The carrying values of trade and other receivables approximate their fair values.
- (b) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

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

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

13. Trade and other payables

	Group	
	2007	2006
	HK\$'000	HK\$'000
Trade payables (note b)	267,926	271,402
Other payables and accruals	879,638	674,507
	<u>1,147,564</u>	<u>945,909</u>

- (a) The carrying values of trade and other payables approximate their fair values.
- (b) As at 31 December 2007, the ageing analysis of the Group's trade payables were as follows:

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

14. Other non-current liabilities

	Group	
	2007	2006
	HK\$'000	HK\$'000
Non-current portion of long-term bank loans	837,674	1,733,436
Convertible bonds	-	191,023
Pension obligations	31,302	28,827
	<u>868,976</u>	<u>1,953,286</u>

15. Reserves

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

16. Comparative figures

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

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

As at the date hereof, the directors of the Company are:

Executive Directors:

*Mr. Wang Lei Lei
(Deputy Chairman)
Mr. Yeung Kwok Mung
Ms. Angela Mak*

Non-executive Directors:

*Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Ms. Tommei Tong*

*Independent non-executive
Directors:*

*Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha*

Alternate Director:

*Mr. Francis Meehan
(Alternate to each of Mr. Frank
Sixt, Ms. Debbie Chang, Mrs.
Susan Chow and Mr. Edmond Ip)*

** for identification purpose*