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 2005

HIGHLIGHTS

For the year ended 31 December 2005:

- Group revenues grew by 20% to HK$3,105 million
- EBITDA increased 46% to HK$415 million
- Operating profit before deemed disposal gain of subsidiaries reached HK$335 million
- Profit attributable to shareholders was HK$260 million
- Basic earnings per share were HK6.67 cents

CHAIRMAN'S STATEMENT

2005 was a year of operational consolidation and organic growth for TOM Group Limited ("TOM" or "the Company"). Revenues grew 20% to over HK$3,105 million and EBITDA grew 46% to HK$415 million. The Group's overall EBITDA margin strengthened from 11% in 2004 to 13% in 2005. Profit attributable to shareholders was HK$260 million compared to HK$773 million in 2004. Basic earnings per share were HK6.67 cents compared to HK19.9 cents in 2004. 2004 attributable profits and earnings per share of course included certain one-time non-recurring items such as profits relating to the IPO of TOM Online Inc. ("TOMO" or "TOM Online"). Excluding such gains on deemed disposal of interests in subsidiaries, operating profit was HK$335 million for the year, compared to last year's operating loss of HK$20 million.

Our Internet Group reported another strong performance for the year. As noted in its results announcement on 17 March, TOMO's revenues increased 40% and net income increased by 33% compared to 2004. In 2005, TOMO's operations generated 98% of our Internet Group's total revenues, which on a consolidated basis rose 39% to HK$1,371 million. EBITDA for the Internet Group increased 36% to HK$373 million with margins steady at 27% versus 28% in 2004. Segment profit rose 39% from HK$250 million in 2004 to HK$348 million in 2005. TOMO has continued to consolidate its leadership position in the wireless Internet services segment in Mainland China and to add to its portal services offering, resulting in solid growth in contribution from each segment in 2005.

Our Publishing Group grew revenues by 14% to HK$1,035 million. It also increased EBITDA margin from year 2004's 12% to 13% and reported segment EBITDA of HK$137 million, up 21% and segment profit of HK$97 million representing a 14% year on year increase. This performance is encouraging particularly in light of the stepped up development pace of the group's publishing interests in Mainland China during the year.

The Outdoor Media Group continued to grow revenues but faced margin compression as with selling prices under pressure due to increasing competition and the cost of media assets continuing to rise. Revenues grew 12% year on year to HK$412 million, but EBITDA declined to HK$44 million compared to HK$82 million in 2004, reflecting a decline in EBITDA margin in this business from 22% in 2004 to 11% in 2005. The Group has taken a number of steps to consolidate its asset base, and has introduced more integrated selling, credit and cost controls across its businesses. With over 300,000 square meters of media asset space, the Outdoor Media Group is one of the largest operators in Mainland China with 16 subsidiaries operating throughout the country. Its network of billboards and unipoles is the largest in Mainland China and all of its operations were re-branded in 2005 under the "TOM Outdoor" brand.

The Television and Entertainment Group increased revenues by 146% to HK$79 million and reduced its EBITDA loss by 82% to HK$11 million. Segment loss was HK$54 million compared to HK$85 million in 2004. The performance of China Entertainment Television Broadcast Limited ("CETV") continued to improve markedly in the year.

Results from the Sports Division were adversely affected by a legal dispute settled in the first half and reported in the Group's interim report. Revenues declined 29% to HK$208 million and EBITDA was HK$5 million versus HK$43 million in 2004. Segment profit was HK$4 million compared with HK$43 million in 2004, and includes a significant provision in relation to receivables of a golf-event. Management changes relating to the litigation and golf event have been made and the Sports Division's results in the second half improved with the success of the China Open Tennis tournament. The Group now owns the full operating rights for the tournament as well as relevant memberships in the ATP and WTA and has achieved good co-operation with tournament stakeholders in Mainland China including the Beijing Government, General Administration of Sport, local organizing authorities and a subsidiary of Beijing Media Corporation Limited, formerly known as Beijing Youth Daily.

Finally, as announced in January 2006, Mr. Sing Wang resigned as Chief Executive Officer of the Group to pursue his own entrepreneurial interests, and Ms. Tommei Tong was appointed to take his place. Given Tommei's three years experience with the Group as Chief Financial Officer, I am pleased to report that the executive transition has been a very smooth one and has not resulted in management disruption or discontinuity. I believe the Group is well-positioned in all of its businesses for 2006 under Tommei's leadership.

On behalf of the Board, I would like to thank the Group's management team and all our employees as well as our valued customers for making 2005 a good year for the Group. I look forward to another solid year in 2006.

Frank Sixt
Chairman

Hong Kong, 21 March 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Group revenues grew by 20% to HK$3,105 million. EBITDA increased 46% for the year to HK$415 million, EBITDA margin was at 13% versus last year's 11%. Operating profit before net gain on deemed disposals of interests in subsidiaries was HK$335 million, compared to last year's operating loss of HK$20 million. Profit attributable to shareholders was HK$260 million versus last year's HK$773 million. Basic earnings per share were HK6.67 cents versus HK19.9 cents in year 2004.

INTERNET

The Internet Group posted a growth of 39% in revenues to HK$1,371 million. Revenues of TOM Online made up 98% of the total. EBITDA of the group was HK$373 million, an increase of 36% compared to HK$275 million in year 2004. EBITDA margin was 27% compared to last year's 28%. Segment profit was HK$348 million versus last year's HK$250 million.

In year 2005, revenues of TOM Online were derived from two main operating segments: wireless Internet services and online advertising. A minor portion of revenues was from commercial enterprise solutions and other services such as paid email boxes and e-commerce. Wireless Internet services include SMS, MMS, WAP, IVR, and CRBT services, through these services TOM Online provides music and entertainment download, information and community-oriented products, such as news headlines, sports information, games, wallpaper and chat rooms.

Total wireless Internet revenues were HK$1,263 million, and made up 94% of TOM Online's total revenues versus last year's 92%. Online advertising revenues increased 21% to HK$72 million for the year compared to year 2004's HK$59 million; and accounted for 5% of TOM Online's total revenues.

Year 2005 was another momentous year for TOM Online as it has solidified its position as the leading wireless Internet company in the Mainland China market. Against a more stable regulatory environment compared to year 2004, the Company gained market share against most of its key competitors whilst continuing to bolster its competitive strengths in wireless distribution, operation excellence and integration of wireless services with the portal www.tom.com.

TOM Online also set the foundation for new business opportunities through the creation of joint venture with Skype Technology Limited to focus on next-generation communication tools for Mainland Internet users, the strategic alliance with UMPAY to develop mobile payment functions for Chinese mobile phone users and the acquisition of Indiagames Limited, a leading mobile games developer based in India.

In year 2006, TOM Online will continue to focus and solidify its leadership in the rapidly growing Chinese wireless Internet market whilst preparing itself for coming 3G and broadband Internet opportunities.

PUBLISHING

Revenues of the Publishing Group grew 14% to HK$1,035 million for the year. EBITDA was HK$137 million, a growth of 21% over last year's HK$113 million; EBITDA margin was 13% compared to 12% in the past year. Segment profit of the group increased by 14% to HK$97 million.

Taiwan remains the main growth avenue for the Publishing Group and accounted for 93% of the group's total revenues for the year. The joint venture with Popular Computer Week in Chongqing, of which TOM owned approximately 49% and the exclusive rights in advertising and distribution, contributed HK$21 million EBITDA to the Publishing Group for the year.

Revenues of advertising made up 32% of the group's total revenues for the year. Magazine sale accounted for 26% of the total versus last year's 28%, while book sale made up 39% compared to 36% in the past year. During the year, 5 new magazines were launched and over 2,000 new book titles were published.

As at 31 December 2005, the Publishing Group has a portfolio of over 60 magazine titles and over 40 imprints in book. The group operated five bookstores in Taiwan and one in Hong Kong for the year.

The publishing businesses in Taiwan i.e. Cité Publishing group mainly publishes books and magazines.

The development pace in the Mainland China market in year 2005 has been stepping up after successfully licensed over 460 books titles and 13 magazines to Mainland China. In the fourth quarter of 2005, "*DG Best*", "*So Cool*" and "*Global Business*", the extension of "*Business Weekly*", were formally launched in Mainland China, whilst "*Micro-Electronic*" and "*International Wrist Watch*" are the leading magazines in Mainland China and the extension of the Taiwan editions.

During the year, the publishing group in Taiwan won several awards including *2005 Tripod Awards* and *Business Weekly* was awarded as the Best Business Magazine, *2005 Golden Butterfly Award, Top 12 non-literature* books recommended by *2005 Taipei International Book Exhibition, Top 10 best books* recommended by *Graduate Institute of Technology* and *Innovation Management at National Chengchi University, Top 100 best physical books* recommended by *the Physical Society of Republic of China*. In addition, for the *18 publishing trademarks of cultural and creative industries* nominated by *Intellectual Property Rights Bureau of the Ministry of Economic Affairs*, 12 of our publishers and imprints won the awards.

The publishing group in Taiwan has started the trial run e-publishing in year 2006 and over 40 e-publishing products will be launched to test market, the content will be self-own license, pictures and literary.

Looking to the future, the group will leverage the resources in Taiwan and the JV with China Popular Computer Week Management Company Limited to increase its presence in the Mainland China market and will continue to explore opportunities in acquisition.

OUTDOOR MEDIA

Revenues of the Outdoor Media Group ("OMG") were HK$412 million, a growth of 12% from last year. EBITDA dropped 46% to HK$44 million for the year compared to HK$82 million in the past year. EBITDA margin was 11% versus last year's 22%. Segment profit was HK$16 million compared to HK$58 million in year 2004.

Total outdoor media revenues made up 64% of OMG total revenues, of which 51% from billboard/unipole and 26% from media buying business. Revenues from cross media accounted for 36% of the group's total. The top ten clients of OMG including Samsung and Kia Motors made up 27% of total revenues for the year. Clients of OMG include industries of Tobacco, electronic products, consumer products, property, finance, communication, home appliance as well as government bodies.

The decrease in EBITDA and EBITDA margin of OMG for the year partly revealed pressure in the selling price of the group as well as the increase in media asset costs. During the year, media asset costs increased 19% over that in the past year. We recognize the trend of increasing media asset costs is not very favorable to us in the short term, but we also recognize it is the results of more regulated and stable operating environment and in the long run should benefit OMG, one of the leading outdoor operators with the biggest billboard and unipoles network in Mainland China.

The average selling price of the group's billboard and unipole for the year was at the same level of last year amid competitive operating environment. With a view to improve margin, OMG is exploring the opportunities in developing new outdoor media such as some special designed or animated billboard/unipole for clients or borrowing the successful cases from overseas to the Mainland China market. During the year, the group is strengthening its value added services to clients.

In year 2005, a total of HK$18 million provisions for bad debts were made for two subsidiaries of OMG; a closer monitor system has been adopted by OMG to improve the credit controls.

In December 2005, the group acquired 51% stake in two joint ventures, namely 上海唐碼浩盛傳媒有限公司 ("Haosheng") and 深圳唐碼之光廣告有限公司 ("Rays") for a total considerations of HK$16 million; the transactions are expected to be completed in the first half of 2006. Media asset space of Haosheng and Rays amounted to about 4,000 and 6,000 square meters respectively with the main focus on billboard/unipole. Contributions from the two joint ventures will begin in year 2006.

As at 31 December 2005, OMG operated about 300,000 square meters media asset space, over 85% of them were billboard and unipole, and a small percentage in street furniture, transportation and some cross media businesses. 60% of the media asset space in billboard and unipole were self-owned/self-built by OMG, with the balance of 40% were media buying.

OMG operated 16 subsidiaries throughout China in year 2005, including Kunming, Chongqing, Dalian, Qingdao, Shanghai, Beijing, Shenzhen, Guangzhou, Wuhan, Chengdu, Fuzhou, Xiamen, Changchun, Shenyang, Jinan, Zhengzhou.

The unification of brand name in OMG, which marked the beginning of the consolidation and integration within the group, was formally completed at the end of 2005. Under "TOM Outdoor", the branding of all subsidiaries within the group was unified and their local marks become a sub-brand. The total cost for the re-branding was HK$1.2 million.

In year 2005, a new information system was developed to gather all the media asset information including asset spaces, selling prices and locations of the media assets within the group. The system should increase the efficiency of the operations and build a stronger sale network for OMG to have a stronger client reach. A system of knowledge management was also established to facilitate the sharing of industry information, successful cases at OMG and training materials.

OMG adopts a direct management system in its operations and do not foresee significant negative impacts from the expiry of profit guarantee in year 2004 and 2005. Senior management of the group has meetings with middle to senior management of the subsidiaries every two weeks to review and monitor their operations. A daily reporting system was established to enhance daily monitoring of subsidiaries' operations. The group has made much of staff training and encourages internal promotion.

During the year, OMG won the *Gold Award* among *the Golden 10 Cases* recommended by *the Second Case Award of ADMEN China*, and was awarded as one of the *Top Five Most Influential Advertising Company in Mainland China* recommended by *2005 Influence on China Award Ceremony*, OMG is the only Chinese company which won the award.

Looking to the future, OMG will continue to acquire quality outdoor media assets in Mainland China to further strengthen its leading position in the market and enlarge its nationwide media network; and will explore the opportunities of bringing in strategic investors for additional funding, clienteles and their expertise in outdoor media businesses.

SPORTS

Impacted by a legal dispute held in the first half of the year, revenues of the Sports Group dropped by 29% to HK$208 million, compared to HK$295 million in year 2004. EBITDA was HK$5 million versus last year's HK$43 million. Segment profit of the group was HK$4 million compared to HK$43 million in the past year. A total of HK$46 million one-time provisions for receivables of a golf-event were made for the year.

Revenues of Sports for the year mainly were derived from *China Open* and some local sports marketing/events or non-sports events operated by Yangcheng, a subsidiary of the Sports Group.

In July 2005, the group settled the legal dispute for a gross consideration of approximately HK$54 million, which includes the purchase of 40% remaining interests in Tennis Management Limited ("TML"), the transfer of certain subsidiaries and Thailand operations of TML and the settlement of inter-companies balances. This settlement arrangement secured the group's commercial rights and management control of *China Open*, the group's flagship international tennis event, and full ownership of the ATP and WTA licenses. The dispute costed the group a total of HK$11 million legal fees.

The second *China Open* was successfully launched in September 2005, two months right after the settlement of the legal dispute. The event, jointly organized by Beijing Government, General Administration of Sport, TOM, Beijing China Open Promotion Company Limited (a subsidiary of Beijing Media Corporation Limited, formerly called Beijing Youth Daily), and two Beijing local organizing authorities, was well received by the market and generated higher industry recognition than in year 2004. Beijing Government places a great value of the event and made it one of the major sport events in Beijing.

The 2005 *China Open* featured top international seeds including Refael Nadal, Guillermo Coria, Ferrero, Juan Carlos, Maria Sharapova, Venus Williams and Serena Williams as well as China's top women players Li Na, Zheng Jie, the 2004 Olympic double champion Li Ting and Sun Tiantian. Strong sponsors were secured including Lacoste, Beijing Shangri-la Hotel, Citizen, Tsing Tao Beer, Sony Ericsson, Panasonic, CCTV, Avon, Coco-cola, Beijing Chateau and Sohu.com.

During the year, the Sports Group successfully launched various sports and non-sports PR events including *AMWAY Nutrilite Run*, *Nokia leadership workshops* as well as *National Sports Team press conference for Asian Games*. The group has successfully launched TV program of *Golf Magazine* sponsored by Samsung and HSBC and acted as the commercial representation of national sports team including *National Table Tennis Team sponsored by LG* and *National Women Volleyball team sponsored by Vinda*.

The Sports Group has reached the cooperation agreement with Beijing Media Corporation and brought *China Open* back on track. Looking to the future, China Open will remain the flagship event for the Sports Group. The group will continue to invest in the event and aims to build *China Open* as a year-round program to increase its popularity as well as broaden the revenue streams of the group.

TELEVISION AND ENTERTAINMENT GROUP

The Television and Entertainment Group grew a marked 146% in revenues to HK$79 million, compared to HK$32 million in the past year. EBITDA loss dropped by 82% to HK$11 million versus last year's HK$62 million. Segment loss was at HK$54 million compared to HK$85 million last year.

The performance of China Entertainment Television, a Putonghua general entertainment channel, in the second year under TOM's management was encouraging. During the year, revenues of CETV were mainly derived from advertising wireless, program syndication and events.

CETV posted about 1.5 times growth in advertising revenues for the year. The surge was mainly driven by the increase in advertising rate card by over 40% compared to year 2004. Advertising revenues of CETV made up 87% of the group's total revenues for the year, compared to last year's 88%. Revenues from wireless, program syndication and events accounted for 13%.

In March 2005, CETV completed its digitization of its distribution platform. Apart from the landing rights into the cable system in Guangdong, CETV also has a nationwide distribution through the central platform, covering hotels and foreign apartment compounds, it is estimated that CETV reaches about 21 million households throughout Mainland China.

In year 2005, CETV achieved market share of 2.1% and 3.7% in Guangzhou and Shenzhen respectively and have secured leading position in age group of 15 to 24. "*Huanan Pharmaceutical's All-Star Singing Party*" and "*No Holds Barred – Super Search Warrant*" were some of the channel's hit original productions. The former recorded No.4 ranking in Shenzhen and No.7 in Guangzhou for their time slots, and the latter achieving a 9.2% market share in Zhongshan, the highest market share recorded for that city on that time slot in 2005, whilst in Shenzhen it achieved 4.2% market share. Original programming of CETV is now being syndicated to Hunan, Fujian, Henan and several other local networks.

New acquired programming has also contributed to the continued increase in popularity of CETV. The renowned Korean drama "*Jewel in the Palace*" helped the channel to achieve a peak market share in Shenzhen of 8.4%. Another hit Korean Drama "*The Legendary Doctor – Hur Jun*" surpassed 12% market share both in Guangzhou and Shenzhen. The performance of these dramas has helped CETV take a leading position as the channel providing the best of Korean dramas to audiences in Guangdong.

On sales and marketing, the channel's advertiser base continued to grow in 2005 with new major accounts wins including L'Oreal, Pepsi, TJoy and Mindshare Media. More than 120,000 people have participated in various marketing events and live productions held by CETV. "*Star Power*", a sponsored production for China Telecom and a series of concerts and entertainment awards ceremonies sponsored by China Mobile were the major highlights of the year. Other marketing events included on-the-ground promotions for "*Mars*", "*Jewel in the Palace*" and "*Scent of A Women*", involving popular artists such as Irene Wan, Michelle Yeah, Vic Zhou and Xu Wiyuan.

In 2005, CETV began to take advantage of its broad distribution base, along with the general proliferation and growth of mobile value-added services, to create services that converge the usage of the television and mobile platforms.

The channel began its initial efforts into building mobile interactivity for it's programming with simple applications such as SMS voting, Text-In programming, SMS competitions, and content downloads. Some of the channel's hit original programming including "Ways Of The World", "Scent Of A Woman", "Music Action" and "Super Search Warrant" have been integrated with such SMS applications, with the content itself being made available for download on IVR platforms, as well as being made available as ring and ring back tones.

The programming integration of this interactivity began in the middle of the year – since then the revenue from these services, although was currently low, has demonstrated encouraging growth and its contribution is starting to become significant. In the coming seasons, the channel will be looking to produce in-house, more sophisticated, transaction-based entertainment programming.

Going forward, with its increased production output of original programming, CETV will continue to look and to exploit its content assets by continuing to broaden its reach, to also take advantage of maturing distribution mediums that having an increasing demand for richer content, such as Broadband Internet, as well as upcoming platforms such as IPTV and Mobile.

In December 2005, the group reduced its equity interests in Huayi Brothers International Holdings Limited, a passive investment of the group, from 27% to 7%.

For year 2006, the group will be actively pursuing initiatives to further deepen its content production capabilities, as well as expanding distribution platforms for the Television and Entertainment division as a whole.

FINANCIAL REVIEW

The following discussion and analysis of the TOM Group's financial position and results of operations should be read in conjunction with the Audited Consolidated Results and the related notes.

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

Revenue

The Group's revenue for the year ended 31 December 2005 amounted to HK$3,105 million, an increase of 20% compared to the previous year of HK$2,595 million.

Revenue Mix

The Internet and Publishing Groups remain the main growth drivers of the Group for the year under review; revenue of the Internet Group made up 44% of the Group's total revenues and was the largest revenue contributor. Revenue from Publishing Group was the second largest contributor accounted for 33% of total revenues. The Outdoor Media Group and Sports Group contributed 13% and 7% respectively, while revenue from Television and Entertainment Group represented 3% of the Group's total revenue.

The Greater China region remained the key focus of the Group's businesses in year 2005; revenue generated from Mainland China was 66% of the Group's total, Taiwan and other Asian countries accounted for 32% while Hong Kong contributed the remaining 2%.

Segmental Results

The Internet Group achieved HK$1,371 million revenues for the year under review, representing an increase of 39% over last year. EBITDA was HK$373 million and segment profit was HK$348 million, an increase of 36% and 39% compared to the previous year. Revenues from wireless Internet services made up 92%, while the remaining 8% generated from online advertising and others.

The Publishing Group delivered revenues of HK$1,035 million in year 2005, an increase of 14% from HK$910 million in the previous year. EBITDA increased by 21% to HK$137 million compared to HK$113 million of last year. Segment profit of the group was HK$97 million for the year, representing an increase of 14% over last year.

Revenues of the Outdoor Media Group grew by 12% to HK$412 million for the year, compared to the previous year of HK$369 million. EBITDA was HK$44 million, representing a drop of 46% over last year mainly due to the increase in media asset costs. Segment profit of the Group was HK$16 million compared to HK$58 million of last year.

Revenue of the Sports Group was HK$208 million compared to HK$295 million in the previous year, representing a drop of 29%. EBITDA was HK$5 million compared to HK$43 million last year. Segment profit was HK$4 million compared to HK$43 million in year 2004.

The Television and Entertainment Group continued to report a strong growth in year 2005. Revenue of the group increased by 146% to HK$79 million, compared to HK$32 million in year 2004. EBITDA loss and segment loss were HK$11 million and HK$54 million respectively for the year, representing a significant reduction of 82% and 36% respectively over last year.

Operating Expenses

The operating expenses of the Group during the year under review increased 2% to HK$953 million as compared to year 2004. The operating expenses as a percentage of revenue for the year under review dropped from last year's 36% to 31% thanks to the ongoing cost control measures.

Operating Profit

Group operating profit before net gain on deemed disposal of interests in subsidiaries for the year amounted to HK$335 million, compared to operating loss of HK$20 million in year 2004. Operating profit margin was at 11% for the year.

Profit Attributable to Shareholders

The Group's profit attributable to shareholders was HK$260 million, compared to HK$773 million in year 2004. Excluding HK$160 million (2004: HK$979 million) net gain on deemed disposals of interests in subsidiaries and other one-time restructuring charges and provisions, net profit of the Group was HK$88 million (2004: HK$43 million) for the year.

Liquidity and Financial Resources

As at 31 December 2005, TOM Group had bank and cash balance, including pledged deposits, of approximately HK$1,156 million and listed debt securities of approximately HK$1,991 million, of which listed debt securities of approximately HK$1,379 million were pledged to secure long-term bank loan facilities of HK$1,288 million and deposit amounted to approximately HK$70 million was pledged to secure a short-term bank loan of HK$64 million. A total of HK$1,790 million financing facilities were available, of which HK$1,653 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 31 December 2005.

Total borrowings of TOM Group amounted to approximately HK$2,695 million as at 31 December 2005. This included convertible bonds of approximately HK$1,033 million, long-term bank and other loans of approximately HK$1,587 million and short-term bank loans of approximately HK$75 million. The gearing ratio of TOM Group was 41% as at 31 December 2005, as compared to 40% as at 31 December 2004.

As at 31 December 2005, the Group had net current assets of approximately HK$1,174 million, showing a significant improvement from approximately HK$101 million as at 31 December 2004. This was mainly attributed to the decrease in consideration payables from HK$1,388 million as at 31 December 2004 to HK$246 million as at 31 December 2005, the settlement of which were mainly financed by utilizing long-term financing facilities, sales proceeds from disposal of debt securities and by issuance of shares of TOM Online, a subsidiary of the Company.

As at 31 December 2005, the current ratio of TOM Group was 1.91 compared to 1.04 as at 31 December 2004.

In year 2005, the Group generated net cash of HK$134 million from its operating activities, as compared to a net cash used of HK$30 million in the same period of year 2004. Net cash used in investing activities was HK$572 million, which mainly included capital expenditures and acquisition of subsidiaries amounting to HK$1,028 million, partly offset by the interest income of HK$104 million and the proceed of HK$327 million from the sales of debt securities. During the year, the Group utilized bank loans, net of arrangement expenses, of HK$511 million to finance partly the acquisition of subsidiaries and the buyback of convertible bonds of US$4 million, resulting a net cash from financing activities of HK$412 million.

Charges on Group Assets

As at 31 December 2005, the Group had listed debt securities with a market value of approximately HK$1,379 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$1,288 million. In additions, bank deposits, cash and other assets at total net book value of approximately HK$88 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 2005, TOM Group had no material contingent liabilities.

Employee Information

As at 31 December 2005, TOM Group had 4,094 full-time employees. Employee costs and stock option costs, excluding directors' emoluments, totaled at HK$598 million for the year (2004: HK$476 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 TOM Group. Social, sports 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 TOM 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 TOM Group and retaining the services of the employees who will continue to make valuable contributions to the TOM Group.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	**2005** *HK$'000*	2004 (As restated) *HK$'000*
Turnover	2	**3,105,317**	2,595,245
Cost of sales		**(1,919,292)**	(1,509,070)
Interest income		**88,088**	83,179
Selling and marketing expenses		**(332,192)**	(268,307)
Administrative expenses		**(272,894)**	(259,216)
Other operating expenses		**(347,733)**	(410,737)
Provision for receivables, net	3	**(7,271)**	(22,476)
Provision for impairment of assets		–	(85,128)
Provision for contracts termination		–	(134,315)
Listing expenses		–	(19,812)
Share of losses of jointly controlled entities		**(138)**	(367)
Share of profits less losses of associated companies		**21,229**	11,044
Operating profit/(loss) before net gain on deemed disposals of interests in subsidiaries		**335,114**	(19,960)
Net gain on deemed disposals of interests in subsidiaries	4	**160,335**	979,476
Operating profit	5	**495,449**	959,516
Finance costs	6	**(103,973)**	(65,801)
Profit before taxation		**391,476**	893,715
Taxation	7	**(40,178)**	(28,532)
Profit after taxation		**351,298**	865,183
Attributable to:			
Minority interests		**91,772**	91,735
Equity holders of the Company		**259,526**	773,448
Earnings per share for profit attributable to equity holders of the Company during the year	9		
Basic		**HK6.67 cents**	HK19.90 cents
Diluted		**HK6.67 cents**	HK19.45 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	2005 *HK$'000*	2004 (As restated) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		**315,592**	284,551
Goodwill		**2,514,896**	2,280,025
Other intangible assets		**91,873**	93,391
Interests in jointly controlled entities		**14,876**	14,650
Interests in associated companies		**238,124**	226,073
Available-for-sale financial assets		**2,053,207**	2,425,774
Loans and receivables		**3,839**	93,425
Deferred tax assets		**38,086**	16,783
Other non-current assets		**47,572**	82,139
		5,318,065	5,516,811
Current assets			
Inventories		**117,080**	123,117
Trade and other receivables	10	**1,199,269**	1,113,929
Restricted cash		**74,350**	11,691
Bank balances and cash		**1,081,506**	1,107,393
		2,472,205	2,356,130
Current liabilities			
Consideration payables		**246,093**	1,387,514
Trade and other payables	11	**861,664**	807,571
Taxation payable		**50,422**	50,459
Long-term bank loans – current		**64,340**	42
Short-term bank loans		**75,213**	9,964
		1,297,732	2,255,550
Net current assets		**1,174,473**	100,580
Total assets less current liabilities		**6,492,538**	5,617,391
Non-current liabilities			
Deferred tax liabilities		**9,720**	13,318
Other non-current liabilities	12	**2,575,535**	2,267,486
		2,585,255	2,280,804
Net assets		**3,907,283**	3,336,587
EQUITY			
Share capital		**389,328**	389,001
Reserves	13	**2,506,702**	2,244,016
Own shares held		**(6,244)**	(6,085)
Shareholders' funds		**2,889,786**	2,626,932
Minority interests		**1,017,497**	709,655
Total equity		**3,907,283**	3,336,587

Notes:

1 Basis of preparation

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

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

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

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

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

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

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and certain other disclosures in the accounts;

– HKAS 21 requires goodwill and fair value adjustments arising on acquisition of foreign entities be treated as assets and liabilities of the foreign entities and translated at closing rates. Furthermore, the functional currency of each of the consolidated companies has been re-evaluated based on the guidance to the revised standard; and

– HKAS 2, 7, 8, 10, 16, 23, 24, 27, 28, 31, 33 and HKFRS 5 had no material effect on the Group's accounting policies.

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

HKAS 17

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

HKAS 19 (Amendment)

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

HKAS 32 and 39

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

HKFRS 2

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

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

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

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

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

2 Turnover, revenue and segment information
Primary reporting format – business segments

Year ended 31 December 2005

	Internet group *HK$'000*	Publishing group *HK$'000*	Outdoor media group *HK$'000*	Sports group *HK$'000*	Television and entertainment group *HK$'000*	Group *HK$'000*
Total gross segment turnover	1,371,650	1,034,859	412,280	208,487	81,077	3,108,353
Inter-segment turnover	(912)	–	–	–	(2,124)	(3,036)
Turnover	1,370,738	1,034,859	412,280	208,487	78,953	3,105,317
Segment profit/(loss) before amortisation and depreciation	412,374	113,691	44,229	4,888	(14,312)	560,870
Amortisation and depreciation	(64,135)	(17,132)	(28,243)	(520)	(40,078)	(150,108)
Segment profit/(loss)	348,239	96,559	15,986	4,368	(54,390)	410,762
Provision for receivables, net	38,932	–	–	(46,203)	–	(7,271)
Share of losses of jointly controlled entities	(138)	–	–	–	–	(138)
Share of profits less losses of associated companies	(263)	18,046	–	–	3,446	21,229
Unallocated costs						(89,468)
Operating profit before net gain on deemed disposals						335,114
Net gain on deemed disposal of interests in subsidiaries	160,335	–	–	–	–	160,335
Operating profit						495,449
Finance costs						(103,973)
Profit before taxation						391,476
Taxation						(40,178)
Profit for the year						351,298
Attributable to:						
Minority interests						91,772
Equity holders of the Company						259,526
Segment assets	3,556,519	1,342,073	748,789	323,249	222,151	6,192,781
Interests in jointly controlled entities	14,876	–	–	–	–	14,876
Interests in associated companies	1,459	236,665	–	–	–	238,124
Unallocated assets						1,344,489
Total assets						7,790,270
Segment liabilities	297,862	428,054	118,522	54,726	39,467	938,631
Unallocated liabilities						2,944,356
Total liabilities						3,882,987
Capital expenditure	80,064	23,235	38,887	551	37,441	180,178
Unallocated capital expenditure						4,113
						184,291

Year ended 31 December 2004 (As restated)

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

Secondary reporting format – geographical segments

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

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

3 Provision for receivables, net

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

4 Net gain on deemed disposals of interests in subsidiaries

(a) Puccini International Limited ("Puccini")

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

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

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

(b) Indiagames Limited ("Indiagames")

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

5 Operating profit

Operating profit is stated after charging/ crediting the following:

	2005	2004 (As restated)
	HK$'000	*HK$'000*
Charging:–		
Depreciation of fixed assets	**104,515**	82,776
Amortisation of other intangible assets	**51,046**	40,474
Amortisation of other intangible assets included in interests in associated companies	**4,894**	2,040
Cost of inventories sold	**509,358**	462,586
Crediting:–		
Dividend income from available-for-sale financial assets	**1,250**	1,815

6 Finance costs

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

7 Taxation

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

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

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

8 Dividends

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

9 Earnings per share

(a) Basic

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

(b) Diluted

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

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

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

10 Trade and other receivables

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

(a) 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 2005, the ageing analysis of the Group's trade receivables is as follows:

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

11 Trade and other payables

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

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

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

12 Other non-current liabilities

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

13 Reserves

Group

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

AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2005 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year save as the deviations as disclosed in the interim report for the six months ended 30 June 2005.

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:
Ms. Tommei Tong
Ms. Angela Mak

Independent non-executive Directors:
Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha

Non-executive Directors:
Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Mr. Wang Lei Lei

* *for identification purpose*