



## 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 2006

#### HIGHLIGHTS

For the year ended 31 December 2006

- Group revenues were HK\$2,911 million, a decline of 6% compared to last year
- Profit attributable to shareholders was HK\$32 million
- Basic earnings per share was HK0.82 cents
- Net asset value per share was HK75 cents
- Net cash generated from operations increased more than 2 fold to HK\$480 million

#### CHAIRMAN'S STATEMENT

2006 was a challenging year for TOM Group. The overall operating environment for the Group's businesses was highly competitive and, in the case of our Mainland Internet businesses, adverse regulatory developments seriously impacted our operational and financial performance. Revenues for the full year dropped by 6.3% to HK\$2,911 million compared to HK\$3,105 million in 2005. Net profit attributable to shareholders for the year was HK\$32 million, representing basic earnings per share of HK0.82 cents versus HK6.67 cents in 2005. Before taking into account one time items like net gain on deemed disposal of interests in subsidiaries realized in 2005, basic earnings per share declined 75% compared to last year. Management has taken and is continuing to take steps to consolidate and rationalize operations and control costs, and is focused on restoring profitability and sustainable growth in 2007.

The Internet Group reported revenues of HK\$1,371 million, flat versus last year. Commencing in the second half, TOM Online's wireless business suffered a serious decline in financial and operating performance as a direct result of changes in regulatory and related mobile operator policies in relation to wireless value added services businesses. Segment profit was HK\$302 million versus last year's HK\$348 million. Segment profit margin for the year was 22.0% compared to last year's 25.4%.

Revenues of the Publishing Group dropped by 8.1% to HK\$951 million compared to last year's HK\$1,035 million. Segment profit, however, increased by 2.2% to HK\$99 million versus HK\$97 million in 2005 reflecting an improved margin performance for the segment profit margin from last year's 9.3% to 10.4%. The rationalization of internal resources continued and five non-profit making publishers were closed during the year. The disposal of Yazhou Zhoukan in March 2006 resulted in a revenue reduction of HK\$48 million but enhanced overall profitability for the division compared to 2005.

The Outdoor Media Group reported revenues of HK\$391 million, a decline of 5.1% compared to last year's HK\$412 million, mainly due to a lower overall occupancy rate of the group's media assets for the year. Segment profit dropped by 57.6% to HK\$7 million versus last year's HK\$16 million, and segment profit margin was 1.7% versus last year's 3.9%. The Group has undertaken significant management changes in this division.

Revenues of the Television and Entertainment Group grew by 15.9% to HK\$94 million. Segment loss was HK\$50 million, an improvement of 8.3% compared to last year's loss of HK\$54 million, which included a disposal gain of HK\$12 million from sale of the Group's interest in Huayi Brothers. Excluding this one time gain in 2005, segment loss from this division improved by 24%.

The Sports Group underwent a significant restructuring during the first half of 2006, which included the settlement of litigation and claims with external partners. Revenues for this business group declined by 45.6% to HK\$113 million, compared to last year's HK\$208 million. The decline was partially attributable to the de-consolidation of revenues from China Open tournament, which totalled HK\$65 million in 2005. Following the restructuring, the tournament was operated by an associated company of the Group whereas it had been operated by a subsidiary in 2005. A segment loss of HK\$23 million was reported versus last year's segment profit of HK\$4 million. In March 2007, the Group signed an agreement to dispose of an associated company, Beijing China Open Promotion Company Limited ("COL") and the subsidiaries holding the memberships of ATP ("Association for Tennis Professionals") and WTA ("Women Tennis Association") for a total consideration of HK\$120.9 million; an impairment provision of HK\$11 million relating to the disposal was made in year 2006. Upon completion of the disposal, TOM will exit the sport business and focus its resources on the other four business groups.

On 9 March 2007, the boards of directors of TOM Group and TOM Online jointly announced that on 3 March 2007, a letter was sent by TOM Group to inform TOM Online that TOM Group was considering making a proposal to take TOM Online private by way of a scheme of arrangement ("Proposal") under Section 86 of the Companies Law of the Cayman Islands. On

9 March 2007, TOM Group requested the board of directors of TOM Online to put forward the Proposal to shareholders of TOM Online (other than TOM Group and certain shareholders as specified in the joint announcement of TOM Group and TOM Online dated 9 March 2007).

For further details of the Proposal, please see the joint announcement of TOM Group and TOM Online which was posted on the website of the Growth Enterprise Market and Main Board of The Stock Exchange of Hong Kong Limited on 12 March 2007 and is available on the US Securities and Exchange Commission's website (<http://www.sec.gov>) via EDGAR.

On behalf of the Board, I would like to thank the management and staff of the Group for their contributions made in year 2006. In 2007, the Group will remain focused on rebuilding profitability and growth across its businesses and expects to achieve continued progress in this regard.

**Frank Sixt**  
*Chairman*

Hong Kong, 20 March 2007

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OPERATION REVIEW

Group revenues dropped by 6.3% to HK\$2,911 million compared to HK\$3,105 million in 2005. Net profit attributable to shareholders was HK\$32 million, represents a basic earnings per share of HK0.82 cents versus HK6.67 cents in 2005.

In 2006, despite the tough operating environment, we were taking measures in consolidating our businesses such as disposal of Yazhou Zhoukan and other non-performing publishers, proposed disposal of Indiagames, acquisition of Pixnet as well as making impairment provision for our sport event. The operating profit before gain on early redemption and buy-back of convertible bonds, provision for impairment of assets, share of results of our associated companies and jointly controlled entities was HK\$291 million, with operating margin maintained at 10% which is at similar level of last year.

Cost structure improvement and margin expansion is one of the major focus of the Group, during the year we successfully reduced our headquarter expenses by around 30%; these efforts will be continued to drive further growth in the years ahead.

#### INTERNET GROUP

The Internet Group reported revenues of HK\$1,371 million, flat versus last year. Revenues of TOM Online made up 98.1% of the total. Segment profit was HK\$302 million, a drop of 13.4% compared to last year's HK\$348 million. Segment profit margin for the year was 22.0% compared to last year's 25.4%.

Total wireless revenues for 2006 declined by 3.3% to HK\$1,191 million compared to HK\$1,231 million in last year, as wireless businesses were severely impacted by the adverse regulatory developments in the second half of the year. In 2006, wireless Internet revenues made up 90.7% of total revenues compared to 93.9% in 2005. Revenues of online advertising business increased by 44.2% to HK\$104 million and made up 7.9% of the total. The growth in online advertising was mainly driven by increased advertisers' interest to online audiences on sports, entertainment/music channels. TOMO's portal differentiation was enhanced in 2006 through the strategic cooperation with Titan Sports, the country's top-selling sports newspaper and continued growth in "Wanleba" online music community site.

In 2006, the wireless Internet business of TOMO was adversely impacted by the policy changes on China Mobile's Monternet platform; revenues declined and margin compressed as a result. The changes, which have been implemented under the policy directives of China's Ministry of Information Industry ("MII"), aim to address a number of issues, including reducing customer complaints, increasing customer satisfaction and promoting the healthy development of Monternet. In addition, under the same MII policy directives, China Unicom implemented policies similar to those of CMCC during 3Q2006.

These policies had a significant negative impact to our wireless Internet business in the second half of 2006. In response, TOMO has focused on managing its wireless Internet cost structure to boost profitability and competitiveness, as well as

increasing online advertising revenues and other returns from its portal assets. In addition, TOMO will focus on new opportunities to leverage its portal assets on the introduction of 3G wireless services. TOMO continues to believe that their mobile operator partners will consolidate their value added services business towards a smaller group of large scale wireless Internet service providers and trust this will benefit TOMO's business in the long run.

At the end of 2006, TOMO announced a joint venture agreement with eBay/Eachnet to combine their respective expertise to build a new China marketplace business in 2007. TOMO is optimistic that through the combination of eBay's global e-commerce knowledge and their deep local market expertise enhanced by their online assets that there is an opportunity to create an attractive and profitable online marketplace for mainland Chinese buyers and sellers. Moreover, TOMO believes that the joint venture will benefit from their strong position in the Chinese wireless Internet market in developing new mobile commerce opportunities in the long run.

At the end of January 2007, there were over 31.5 million registered TOM-Skype users, up from over 9.0 million at the end of February 2006, an increase of over 22.5 million new registered users. TOMO is working to maintain the rapid growth of the TOM-Skype community in 2007 with the objective of developing and innovating new value added services around the TOM-Skype community commencing from the later part of 2007.

In December 2006, TOM Online made a decision to sell all of its equity interests in Indiagames which was acquired on 22 August 2005 and to focus on the China Market.

#### PUBLISHING GROUP

Revenues of the Publishing Group dropped by 8.1% to HK\$951 million compared to last year's HK\$1,035 million, which was mainly impacted by the closing down of some loss making publishers and the softening of the book market in Taiwan. Segment profit increased by 2.2% to HK\$99 million versus HK\$97 million in 2005. Segment profit margin improved from last year's 9.3% to 10.4%.

Advertising revenues made up 33.1% of the Publishing Group's total revenues for the year compared to last year's 32.0%. Magazine sale accounted for 25% versus last year's 26%, while book sale made up 39%. In 2006, slow down in the growth of the book market in Taiwan caused book sale of the group to decline 8.1%. In response to that, the group will reduce its annual publishing of new books titles by 30% starting from 2007 so as to increase the profitability and have a better control of inventory. Impacted by the disposal of Yazhou Zhoukan, magazine sale of the group dropped 13% versus last year.

The rationalization of internal resources continued during the year to enhance the operational efficiency and profitability of the Publishing Group. The group has restructured, disposed of or closed some of its unprofitable magazines and publishing business units and 5 publishers were closed as a result. The disposal of Yazhou Zhoukan in March 2006 resulted in a revenue reduction of HK\$48 million but enhanced overall profitability for the division compared to 2005.

Taiwan remains the main growth avenue for the Publishing Group and accounted for 97.6% of the group's total revenues for the year, and the remaining 2.4% was generated from Hong Kong and Mainland China. During the year, five new magazine titles were launched and over 2,300 new book titles were published in Taiwan. The circulation of *Business Weekly*, one of our flagship magazine in Taiwan, continued to grow and is now the best selling magazine in Taiwan; its circulation per issue, as certified by ABC (Audit Bureau of Circulations), has reached more than 137,000 copies in the third quarter of 2006.

In pursuing continuing growth opportunities, the group has taken a significant step in developing internet and e-commerce business by acquiring a leading social networking website, namely Pixnet Digital Media ([www.pixnet.net](http://www.pixnet.net)), which offers blog, photo and online community services in Taiwan, in February 2007. The Taiwan publishing group is currently running a game player's site called Game Base ([www.gamebase.com.tw](http://www.gamebase.com.tw)) which offers causal games for game players; the game site has been running for over 6 years and is currently profit making. Leveraging on existing content,

advertisers and readers base, the group will continue to explore opportunities in developing online business to capture the robust growth of e-commerce and internet advertising market in Taiwan.

The magazines namely *DG Best*, *Global Business*, *International Wrist Watch* and *MOOK* launched in Mainland China by Taiwan operations, despite continuous growth in both circulation and advertising revenue, were still in investment stage except *DG Best* which achieved breakeven in December 2006. *Global Business*, the Mainland China extension of *Business Weekly*, announced in October 2006, two quarters after its launch in 1Q2006, that its circulation per issue, as certified by the BPA (Business of Performing Audits), reached 79,709 copies.

As at 31 December 2006, the Publishing Group has a portfolio of around 60 magazine titles and over 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 rationalization of resources employed so as to gear for a bigger growth in years ahead.

#### OUTDOOR MEDIA GROUP

The Outdoor Media Group reported revenues of HK\$391 million, a decline of 5.1% compared to last year's HK\$412 million, mainly due to lower occupancy rate of the group's media assets for the year. Segment profit dropped by 57.6% to HK\$7 million versus last year's HK\$16 million, and segment profit margin was 1.7% versus last year's 3.9%.

Revenues from self-owned/leased media assets made up 56% of the total for the year, media buying accounted for 32% and the remainder was generated from professional services and others. Revenues from billboard and unipole accounted for 44% of the total.

In year 2006, total media asset space amounted to over 345,000 square meters, representing an increase of 19% over last year's about 300,000 square meters. Of the total media asset space 88% were self-owned/leased and 12% were media buying. 75% of the group's assets were billboard and unipole, while street furniture and transportation advertising accounted for 21%.

Occupancy rate of the self-owned/ leased assets was 73% compared to last year's 78%. The lower occupancy rate was mainly due to the fact that some newly acquired media assets took a longer time to sell; the occupancy rate was picking up in early 2007. Average selling price of the group increased 7.3% over last year. Media asset costs of the group in 2006, i.e. the land and media rental, however increased 32% compared to last year, which impacted the margin of the group.

In November 2006, OMG entered into an agreement with New Media Information Broadcasting Company Limited ("NMB"), a subsidiary of Shanghai Media and Entertainment Management Group, and obtained the advertising rights of NMB's new media assets in Shanghai. According to the agreement, OMG has the sole advertising right that covers not less than 1,000 bus-shelter digital light boxes located at the Puxi area for a period of five years between 1 January 2007 to 31 December 2011. NMB will be responsible for the construction and maintenance of the light boxes as well as coordinating and maintaining relationship with the municipal government. It is believed that the light boxes will start to generate reasonable revenues in the third quarter of 2007.

OMG also obtained the sole and exclusive distribution rights of Novamedia's advanced illuminated display technology in Greater China and Singapore, from Novamedia LP, a US leading illuminated displays provider. Novamedia's technology utilises the screen-silk printing process to produce quality-illuminated signs with stunning neon effect. OMG will leverage on this technology to maximize advertising value to its customers.

In March 2006, Singapore Press Holdings Limited ("SPH") became a strategic partner of TOM OMG by acquiring a 35% stake in OMG through a capital injection to the Group of approximately HK\$203 million (US\$26 million) at an implied value of approximately HK\$820 million (US\$105 million); and a deemed disposal gain of HK\$25 million was recorded. SPH is the leading media company in Singapore with an established platform in publishing business. The strategic partnership provides SPH with a foothold in the outdoor media sector in Mainland China. OMG in turn will benefit from SPH's media expertise and resources and will continue to expand and solidify its leading outdoor advertising business by acquiring quality media assets in Mainland China.

During the year, OMG undertook various measures in deepening the consolidation of the group. Apart from the readjustment of the business strategies by increasing self-owned/leased assets, a new management team was appointed to strengthen the management of OMG. A new Chief Executive Officer and a Chief Operating Officer were appointed during the year, together with five newly recruited senior executives, the management team of OMG makes its focus on strengthening the media development of the group in the areas of digital media and national sales.

As at 31 December 2006, OMG operated 16 subsidiaries with advertising presence in over 60 cities throughout Mainland China. The Group will continue to strengthen its network sales by enhancing the integration within subsidiaries and its knowledge platform as well as developing network sales in new media with higher margin. The Group is actively exploring potential acquisition of outdoor assets in different categories with higher margin in the first tier cities including Beijing, Shanghai, Guangzhou and Shenzhen and some leading second tier cities to expand its assets portfolio and improve profitability.

#### TELEVISION AND ENTERTAINMENT GROUP

Revenues of the Television and Entertainment Group grew by 15.9% to HK\$94 million. Segment loss was HK\$50 million, an improvement of 8.3% compared to loss of HK\$54 million

which included a disposal gain of HK\$12 million from sale of the Group's interests in Huayi Brothers. Excluding this one time gain in 2005, segment loss from this division improved by 24%.

Advertising revenues made up 76.5% of the total revenues for the year, with the rest generated from wireless, events and program syndication. As a result of new regulatory restrictions in the second half of 2006, advertising growth of CETV slowed down, despite a strong growth of 30.0% in the first half. Total advertising revenues of the group was HK\$72 million for the year, which represented a 4.3% increase over last year. In response, CETV has successfully broadened its client base and it is expected that advertising revenues will resume growth momentum in 2007.

As at 31 December 2006, CETV achieved a market share during prime time of 1.6% and 2.6% in Guangzhou and Shenzhen respectively; and covered about 24 million households throughout Mainland China.

In 2006, about 30% of programs broadcasted during prime time were original productions with the remainder acquired from Korea, Taiwan and overseas; CETV targets to increase original production broadcast during prime time to 40%. In October 2006, TOM acquired Chi-Chi Dei Entertainment Limited, a cutting-edge reality-content production studio aimed at the growing Asian youth market; the group believes that the acquisition will further enhance its production capacity.

New original productions in 2006 included "2R Blog" (hosted by Rosanne and Race, the show introduces new styles and trends throughout Greater China), "Celebrity Kitchen" (a food and cooking show including showbiz artists dropping in on families for dinner). CETV continues to integrate commercial elements to create more branded content and sponsored productions.

The new media business posted about 3-fold growth compared to last year, mobile interactive programs like "Happy Laisee" and "Hi! Lucky Taxi" were well received during the year. "Happy Laisee" is an interactive auction program, audience can use IVR call-in to bid-down for the auctioned goods, while "Hi! Lucky Taxi" is a "Millionaire-Like" show in a taxi that provides participation opportunities for audiences by using IVR call-ins. At present, CETV partners with TOM Online and various other services providers in its new media business.

In 2006, CETV continued to strengthen its ties with China Mobile (Guangdong) and produced a new sponsored talent show named "Star Power 2006". The show opened in Guangzhou and qualifying rounds were held in the Guangdong cities of Foshan, Zhangjiang, Dongguan, Shantou, Zhuhai with the finals held in Shenzhen. Over 40,000 participants took part in the talent show.

CETV achieved several important recognitions in 2006. It was voted among the Top 10 Most Influential TV Brands in a survey conducted by GAAP, China Association of Advertising Agencies, Sinomonitor International, people.com.cn, etc. The other voted channels included CCTV, Hunan TV, Dragon TV, Phoenix TV, Anhui TV, Chongqing TV, Southeast TV, Jiangsu TV and Shandong TV. The sponsored talent show for China Mobile (Guangdong) was voted as one of the Top 10 Best Marketing Campaigns in 2006. This survey was conducted by CCTV, Southern Metropolis Daily, New Beijing Daily and Sina. New Weekly Magazine's "Xinreiba" nominated CETV's "Scent Of A Woman" as "Best Talk Show", and drama-reality "Ways Of The World" as "Best Social Commentary Program".

CETV will continue to pursue initiatives to further deepen its content productions capabilities and expand distribution platforms; a new media distribution company was set up to broaden the revenue streams of the group. The major business of the new company is mainly engaged in interactive programming and third party content online syndication. In March 2007, the pilots for two new interactive programs were completed and one of the programs will go into formal production for pre-sales through its online network.

#### SPORTS GROUP

The Sports Group underwent a significant restructuring during the first half, which included settlement of litigation and claims with external partners. Revenues for the group declined by 45.6% to HK\$113 million, compared to last year's HK\$208 million. The decline was partially attributable to de-consolidation of revenues from the China Open tournament, which totalled HK\$65 million in 2005. Following the restructuring, the tournament was operated by an associated company of the group whereas it had been operated by a subsidiary in 2005. A segment loss of HK\$23 million was reported versus last year's segment profit of HK\$4 million, which had included an one-off compensation from COL, a joint venture between Beijing Media Corporation ("BMC") and TOM, of HK\$68 million for China Open 2005 and before.

In the first half of 2006, YC underwent a major restructuring. A new Chief Executive Officer was appointed and YC was repositioned as an integrated marketing communication expert. During the year, YC has been gradually shifting its focus to event and PR promotion production services and media-buying business.

Drawing on the diversified media platform of TOM Group, its own all-round experiences in Mainland China, including sponsorship, public/media relationship building, event organizing and management, and student campus promotion, as well as its excellent relationships established with all key media in Mainland China i.e. TV, print, Internet and outdoor media, YC developed a new business model directed towards developing integrated communication campaigns with influencing media and value-added executions to clients by cross-selling relevant products from all of TOM Group's five business groups. The client portfolio will be expanded to cover international advertising/ PR agencies in China, and clients in industries with substantial expenditure in below-the-line activities such as automobile and cognacs.

China Open 2006 was held from 11 to 24 September in Beijing, the event featured world's top male and female players including *Ivan Ljubicic*, *Nikolay Davydenko*, *Marcos Baghdatis*, *Amelie Mauresmo*, *Lindsay Davenport* as well as *Svetlana Kuznetsova*. The sponsors of China Open 2006 included Rolex, Sony Ericsson, Mercedes Benz, CCTV, Lacoste, Sohu, Beijing Chateau, and Tsing Tao. In March 2007, the Group signed an agreement to dispose of COL and the subsidiaries holding the memberships of ATP ("Association for Tennis Professional") and WTA ("Women Tennis Association") for a total consideration of HK\$120.9 million; an impairment provision of HK\$11 million relating to the disposal was made in year 2006. Upon completion of the disposal, TOM will exit the sport business and focus its resources on the other four business groups.

#### 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.

The 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 2006 amounted to HK\$2,911 million, a decrease of 6.3% compared to the previous year of HK\$3,105 million.

#### Segmental Results

The Internet Group reported revenues of HK\$1,371 million compared to last year's HK\$1,372 million. Segment profit was HK\$302 million versus last year's HK\$348 million. Segment profit margin for the year was 22.0% compared to last year's 25.4%.

Revenues of Publishing Group dropped by 8.1% to HK\$951 million compared to last year's HK\$1,035 million. Segment profit increased by 2.2% to HK\$99 million versus HK\$97 million in 2005. Segment profit margin increased from last year's 9.3% to 10.4%.

The Outdoor Media Group reported revenues of HK\$391 million, a drop of 5.1% compared to last year's HK\$412 million. Segment profit dropped by 57.6% to HK\$7 million versus last year's HK\$16 million; segment profit margin decreased from last year's 3.9% to 1.7%.

Revenues of the Television and Entertainment Group grew by 15.9% to HK\$94 million, versus last year's HK\$81 million. Segment loss was HK\$50 million, a drop of 8.3% compared to last year's HK\$54 million.

Revenues of the Sports Group dropped by 45.6% to HK\$113 million, compared to last year's HK\$208 million. A segment loss of HK\$23 million was reported versus last year's segment profit of HK\$4 million.

#### Operating Expenses

The operating expenses of the Group during the year under review decreased by 2.4% to HK\$933 million as compared to HK\$956 million in year 2005, as a result of the Group's ongoing cost control measures.

#### Operating Profit

The Group's operating profit before net gain on deemed disposal of interests in subsidiaries for the year amounted to HK\$273 million, compared to last year's HK\$335 million. Basing on such, operating profit margin was at 9.4% for the year.

#### Profit Attributable to Shareholders

The Group's profit attributable to shareholders was HK\$32 million, compared to HK\$260 million in year 2005.

#### Liquidity and Financial Resources

As at 31 December 2006, TOM Group had bank and cash balances, including pledged deposits, of approximately HK\$1,656 million and listed debt securities of approximately HK\$1,914 million, of which listed debt securities of approximately HK\$1,759 million were pledged to secure long-term bank loan facilities of HK\$1,628 million and deposits amounted to approximately HK\$35 million were pledged to secure bank loans granted to certain subsidiaries and an associated company of the Group. A total of HK\$3,086 million financing facilities were available, of which HK\$2,727 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 31 December 2006.

Total borrowings of TOM Group amounted to approximately HK\$2,918 million as at 31 December 2006. This included convertible bonds of approximately HK\$191 million, long-term bank loans of approximately HK\$1,999 million and short-term bank loans of approximately HK\$728 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 40.3% as at 31 December 2006, as compared to 40.8% as at 31 December 2005.

As at 31 December 2006, the Group had net current assets of approximately HK\$864 million, as compared with approximately HK\$1,174 million as at 31 December 2005.

As at 31 December 2006, the current ratio of TOM Group was 1.43 compared to 1.91 as at 31 December 2005.

In year 2006, the Group generated net cash of HK\$480 million from its operating activities, as compared to HK\$134 million in the same period of 2005. Net cash used in investing activities was HK\$100 million, which mainly included capital expenditures and acquisition of subsidiaries amounting to HK\$491 million, partly offset by interest income of HK\$119 million, proceed of HK\$79 million from

the sales/maturity of debt securities and proceeds from deemed disposal of interests in subsidiaries of HK\$203 million. During the period, the net cash inflow from financing activities amounted to HK\$157 million, included in which was the drawing of bank loans, net of repayments and arrangement expenses, of HK\$1,052 million. Such proceed was mainly used to finance the buyback of convertible bonds of HK\$959 million.

#### Charges on Group Assets

As at 31 December 2006, listed debt securities with a total market value of approximately HK\$1,759 million were pledged to banks for securing bank loans and the amount drawn down by the Group was HK\$1,628 million. In additions, bank deposits, cash and other assets with a total net book value of approximately HK\$53 million were pledged to banks for securing banking facilities granted to certain subsidiaries and an associated company 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 2006, the Group has contingent liabilities amounting to approximately HK\$14 million in respect of the provision of fixed deposits as securities for bank loans granted to an associated company in which the Group has a 49% equity interest.

#### Employee Information

As at 31 December 2006, TOM Group had 4,218 full-time employees. Employee costs and stock option costs, excluding Directors' emoluments, totaled HK\$556 million for the year (2005: HK\$588 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 to 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 2006

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	2	2,910,914	3,105,317
Cost of sales		(1,796,010)	(1,919,292)
Interest income		109,405	88,088
Selling and marketing expenses		(324,905)	(332,192)
Administrative expenses		(258,172)	(275,746)
Other operating expenses		(349,987)	(347,733)
Provision for receivables, net	3	-	(7,271)
Gain on early redemption and buy-back of convertible bonds		20,669	2,852
Provision for impairment of assets	4	(47,044)	-
Share of losses of jointly controlled entities		(758)	(138)
Share of profits less losses of associated companies		8,977	21,229
Operating profit before net gain on deemed disposals of interests in subsidiaries		273,089	335,114
Net gain on deemed disposals of interests in subsidiaries	5	24,601	160,335
Operating profit	6	297,690	495,449
Finance costs	7	(145,070)	(103,973)
Profit before taxation		152,620	391,476
Taxation	8	(33,005)	(40,178)
Profit after taxation		119,615	351,298
Attributable to:			
Minority interests		87,654	91,772
Equity holders of the Company		31,961	259,526
Earnings per share for profit attributable to equity holders of the Company during the year	10		
Basic		HK0.82 cents	HK6.67 cents
Diluted		HK0.82 cents	HK6.67 cents

#### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

Note	2006 HK\$'000	2005 HK\$'000				
<b>ASSETS AND LIABILITIES</b>						
<b>Non-current assets</b>						
Fixed assets	302,314	315,592				
Goodwill	2,719,455	2,514,896				
Other intangible assets	104,316	91,873				
Interests in jointly controlled entities	14,171	14,876				
Interests in associated companies	231,093	238,124				
Available-for-sale financial assets	1,986,388	2,053,207				
Loans and receivables	2,091	3,839				
Deferred tax assets	42,896	38,086				
Other non-current assets	19,501	47,572				
	5,422,225	5,318,065				
<b>Current assets</b>						
Assets classified as held for sale	11	93,973				
Inventories		130,068				
Trade and other receivables	12	988,133				
Restricted cash		37,546				
Bank balances and cash		1,618,778				
	2,868,498	2,472,205				
<b>Current liabilities</b>						
Liabilities classified as held for sale	11	7,920				
Consideration payables		129,220				
Trade and other payables	13	816,689				
Taxation payable		56,858				
Long-term bank loans – current portion		265,786				
Short-term bank loans		727,569				
	2,004,042	1,297,732				
<b>Net current assets</b>		864,456				
<b>Total assets less current liabilities</b>		6,286,681				
<b>Non-current liabilities</b>						
Deferred tax liabilities		11,617				
Other non-current liabilities	14	1,953,286				
	1,964,903	2,585,255				
<b>Net assets</b>		4,321,778				
<b>EQUITY</b>						
Share capital		389,328				
Reserves	15	2,544,673				
Own shares held		(6,244)				
	2,927,757	2,889,786				
Minority interests		1,394,021				
<b>Total equity</b>		4,321,778				
<b>1 Basis of preparation</b>						
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 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention except that available-for-sale financial assets are stated at fair value.						
The preparation of these 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.						
<b>2 Segment information</b>						
<b>Primary reporting format – business segments</b>						
Year ended 31 December 2006						
	Internet group	Publishing group	Outdoor media group	Sports group	Television and entertainment group	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total gross segment turnover	1,371,177	950,858	391,166	113,314	93,951	2,920,466
Inter-segment turnover	(315)	(2,795)	-	(1,064)	(5,378)	(9,552)
Turnover	1,370,862	948,063	391,166	112,250	88,573	2,910,914
Segment profit/(loss) before amortisation and depreciation	379,384	119,898	37,436	(22,330)	(15,536)	498,852
Amortisation and depreciation	(77,683)	(21,233)	(30,660)	(581)	(34,314)	(164,471)
Segment profit/(loss)	301,701	98,665	6,776	(22,911)	(49,850)	334,381
Provision for impairment of assets	(36,044)	-	-	(11,000)	-	(47,044)
Share of losses of jointly controlled entities	(758)	-	-	-	-	(758)

	(212)	10,088	-	(899)	-	8,977
Share of profits less losses of associated companies						(22,467)
Unallocated costs						273,089
Operating profit before net gain on deemed disposals of interests in subsidiaries						24,601
Net gain on deemed disposals of interests in subsidiaries	-	-	24,601	-	-	297,690
Operating profit						(145,070)
Finance costs						152,620
Profit before taxation						(33,005)
Taxation						119,615
Profit after taxation						87,654
Attributable to:						31,961
Minority interests						6,699,930
Equity holders of the Company						93,973
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
Year ended 31 December 2005						
	Internet group	Publishing group	Outdoor media group	Sports group	Television and entertainment group	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 of interests in subsidiaries						335,114
Net gain on deemed disposals 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 after taxation						351,298
Attributable to:						91,772
Minority interests						259,526
Equity holders of the Company						6,192,781
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
Segment capital expenditure	80,064	23,235	38,887	551	37,441	180,178
Unallocated capital expenditure						4,113
Total capital expenditure						184,291

**Secondary reporting format – geographical segments**

	Turnover		Operating profit	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	15,785	73,176	(683)	(11,837)
Mainland China	1,935,824	2,034,354	366,188	444,103
Taiwan and other Asian countries	959,305	997,787	133,347	128,604
	<u>2,910,914</u>	<u>3,105,317</u>	<u>498,852</u>	<u>560,870</u>
Amortisation and depreciation			(164,471)	(150,108)
Provision for receivables, net			-	(7,271)
Provision for impairment of assets			(47,044)	-
Share of losses of jointly controlled entities			(758)	(138)
Share of profits less losses of associated companies			8,977	21,229
Net gain on deemed disposals of interests in subsidiaries			24,601	160,335
Unallocated costs			(22,467)	(89,468)
Operating profit			<u>297,690</u>	<u>495,449</u>

	Total assets		Capital expenditure	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,233,390	1,395,645	1,410	3,530
Mainland China	5,745,490	5,072,667	117,340	158,881
Taiwan and other Asian countries	1,311,843	1,321,958	13,748	21,880
Total	<u>8,290,723</u>	<u>7,790,270</u>	<u>132,498</u>	<u>184,291</u>

**3 Provision for receivables, net**

In 2005, provision for receivables, net represented a provision of HK\$46,203,000 for accounts receivables 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 to certain investee companies.

**4 Provision for impairment of assets**

The amount represented a provision for impairment of assets held for sale of HK\$36,044,000 (note 11), and a provision for impairment of goodwill of HK\$11,000,000. The provision for impairment of goodwill, which is related to the business of a sports event in Mainland China, was made with reference to the expected 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.

The amount of net gain on deemed disposals of interests in subsidiaries of HK\$160,335,000 in 2005 included a gain as a result of shares issued by TOM Online Inc. ("TOMO") in relation to the acquisition of Puccini International Limited of HK\$160,872,000, and a loss on the issuance of shares by Indiagames Limited ("Indiagames"), a subsidiary of the Company, of HK\$537,000.

**6 Operating Profit**

Operating profit is stated after charging/crediting the following:

	2006	2005
	HK\$'000	HK\$'000
Charging:		
Depreciation	115,895	104,515
Amortisation of other intangible assets	52,589	51,046
Amortisation of other intangible assets included in interests in associated companies	4,896	4,894
Cost of inventories sold	<u>473,805</u>	<u>509,358</u>
Crediting:		
Gain on partial disposal of an associated company	-	12,336
Net gain on disposal of interests in subsidiaries	-	6,180
Gain on disposal of a subsidiary	14,698	-
Dividend income from available-for-sale financial assets	<u>2,465</u>	<u>1,250</u>

**7 Finance Costs**

	2006	2005
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	93,853	49,837
Interest and borrowing costs on convertible bonds	50,298	52,709
Interest on other loans, wholly repayable within five years	919	1,427
Total finance costs	<u>145,070</u>	<u>103,973</u>

**8 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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:

	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax	-	-
Overseas taxation	37,580	72,029
Over-provision in prior years	(1,994)	(4,688)
Deferred taxation	(2,581)	(27,163)
Taxation charges	<u>33,005</u>	<u>40,178</u>

Share of associated companies' taxation for the year ended 31 December 2006 of approximately HK\$2,683,000 (2005: HK\$446,000) has been included in the consolidated profit and loss account as share of profits less losses of associated companies.

**9 Dividends**

No dividends had been paid or declared by the Company during the year (2005: HK\$Nil).

**10 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\$31,961,000 (2005: HK\$259,526,000) and the weighted average of 3,893,270,558 (2005: 3,890,885,006) 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 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 earnings per share.

**11 Assets and Liabilities Held for Sale**

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

The major classes of assets and liabilities classified as held for sale were as follows:

	2006	2005
	HK\$'000	HK\$'000
Cash and cash equivalents	23,049	
Trade and other receivables	30,382	
Goodwill	72,997	
Other non-current assets	3,517	
	<u>129,945</u>	
Less: Provision for impairment (note a)	(36,044)	
Exchange adjustment	72	
Assets held for sale	<u>93,973</u>	
Trade and other payables	7,920	
Liabilities held for sale	<u>7,920</u>	

(a) A provision for impairment of assets held for sale of HK\$36,044,000 was made as at 31 December 2006, with reference to the expected disposal value of the assets less costs to sell.

**12 Trade and Other Receivables**

	Group	
	2006	2005
	HK\$'000	HK\$'000
Trade receivables (note b)	555,227	764,977
Prepayments, deposits and other receivables	432,906	434,292
	<u>988,133</u>	<u>1,199,269</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 2006, the ageing analysis of the Group's trade receivables is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Current	204,232	307,208
31-60 days	133,722	181,909
61-90 days	74,707	118,300
Over 90 days	222,204	227,268
	<u>634,865</u>	<u>834,685</u>
Less: Provision	(79,638)	(69,708)
	<u>555,227</u>	<u>764,977</u>

**13 Trade and Other Payables**

	Group	
	2006	2005
	HK\$'000	HK\$'000
Trade payables (note b)	271,402	243,349
Other payables and accruals	545,287	618,315
	<u>816,689</u>	<u>861,664</u>

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

(b) As at 31 December 2006, the ageing analysis of the Group's trade payables is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Current	123,629	121,295
31-60 days	47,324	42,458
61-90 days	27,737	25,658
Over 90 days	72,712	53,938
	<u>271,402</u>	<u>243,349</u>

**14 Other Non-current Liabilities**

	Group	
	2006	2005
	HK\$'000	HK\$'000
Non-current portion of long-term bank loans	1,733,436	1,513,075
Loans from a minority shareholder	-	9,946
Convertible bonds	191,023	1,032,803
Pension obligations	28,827	19,711
	<u>1,953,286</u>	<u>2,575,535</u>

**15 Reserves**

	Share premium account	Capital reserve	Capital redemption reserve	General reserve	Group Available-for-sale financial assets	Exchange difference	Convertible bonds reserve	Accumulated losses	Total
At 1 January 2005, as previously reported	3,621,591	(377)	776	80,067	(5,184)	(2,594)	-	(1,595,509)	2,088,770
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 evaluation 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
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 evaluation surplus	-	-	-	-	6,029	-	-	-	6,029
Employee share option schemes - value of employee services	-	17,757	-	-	-	-	-	-	17,757
Profit for the year	-	-	-	-	-	-	-	31,981	31,981
Net actuarial loss 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	79,815	-	-	80,070
Reserve realised upon disposal	-	-	-	-	167	-	-	-	167
Contribution from a minority shareholder	-	184	-	-	-	-	-	-	184
At 31 December 2006	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673

**AUDIT COMMITTEE**

The audited consolidated results of the Group for the year ended 31 December 2006 have been reviewed by the Audit Committee.

**CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2006.

**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. Tommei Tong, Ms. Angela Mak  
Non-executive Directors: Mr. Frank Sixt (Chairman), Ms. Debbie Chang, Mrs. Susan Chow

Independent non-executive Directors: Mr. Henry Cheong, Mr. Anna Wu, Mr. James Sha, Mrs. Angelina Lee, Mr. Wang Lei Lei

\* for identification purpose