INTERNET

PUBLISHING

OUTDOOR MEDIA

TV & ENTERTAINMENT

TOM Group Limited

Incorporated in the Cayman Islands
with limited liability

Stock Code:2383

ANNUAL REPORT

2009

Contents

Board of Directors

Chairman
Frank John Sixt

Executive Directors
Yeung Kwok Mung
Mak Soek Fun, Angela

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

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

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

Company Secretary

Mak Soek Fun, Angela

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Yeung Kwok Mung
Mak Soek Fun, Angela

Auditor

PricewaterhouseCoopers

Registered Office

P. O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business

48/F., The Center
99 Queen's Road Central
Central
Hong Kong
Tel: 852 2121 7838
Fax: 852 2186 7711

Share Registrars

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
DBS Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

Website Address

www.tomgroup.com

Stock Code

2383

TOM Group Limited

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

The Group was founded in October 1999 as a joint venture between Hutchison Whampoa, Cheung Kong (Holdings) Limited, and other strategic investors. Headquartered in Hong Kong, the Group has regional headquarters in Beijing, Shanghai and Taipei with over 3,000 employees in about 20 cities.

INTERNET

With a strong commitment to innovation and technology, TOM Group operates a user- and technology-centric open platform offering an array of advanced applications, leading-edge technology and diverse content. Through collaboration with operators and technology and content providers, the Group introduces and develops differentiated premium products and services to provide information, sports, entertainment, social networking services, communications, reading and e-commerce with the aim of connecting every aspect of our customers' lives, online, offline and via mobile.

Key internet products and services include:

TOM portal: www.tom.com, which has been upgraded to become a tool- and user-centric open platform, operates the most comprehensive internet portal for applications. The portal serves over 300 million users, targeting the young, trendy and technology-savvy demographic.

NBA official Chinese websites: As the official partner of NBA in Greater China, TOM has acquired the exclusive rights to operate the official NBA websites in Mainland China, Taiwan and Hong Kong. With the introduction of live broadcast and various social networking and innovative features, these NBA sites provide the best digital experience for sports fans to communicate, interact and share.

Sharkwave: Sharkwave, which strives to be the ultimate online basketball destination on the Mainland, is the official NBA online community site for sports fans to interact online and via mobile. A variety of sports content including the WTA Tour, FIFA World Cup Qualification, Premier League and extreme sports is also available on Sharkwave.

Wireless internet: TOM's wireless division ranks among top three in the industry. Serving a huge wireless user base of some 400 million people, TOM offers a range of quality wireless services in information, interaction, music, books and games via SMS, MMS, WAP, IVR, RBT, and J2ME.

TOM-Skype: TOM-Skype is a leading online communications application developed for the Chinese market, offering localised services to its huge user base of 86 million people.

Ulechina: Jointly introduced by TOM Group and the China Post Group, ulechina.com is a unique B2C e-commerce platform offering a seamless, high-end shopping experience. Over a thousand international and domestic merchants have already landed since its beta launch in October 2009. Ulechina will continue to manifest the respective strengths of both parties, in advanced technology and reliable logistics infrastructure, to offer users a quality, trustworthy and convenient shopping experience.

Eachnet: Founded on our experienced local operation and international management, TOM Eachnet is a trusted C2C e-commerce platform in Mainland China that offers customers the highest quality online shopping experience with innovative, localised services. In 2010, Eachnet will launch an import buying programme in cooperation with eBay to meet growing demand from domestic consumers.

PUBLISHING

TOM Group has a well established publishing platform in Greater China. Its publishing unit, Cité Publishing Group, is the largest book and magazine publisher in Taiwan. Capitalising on the up-and-coming e-book market in Greater China, Cité is proactively expanding into digital publishing and extending its reach through various media channels.

Eyeing the world's Chinese-language literature market, in 2009, Cité introduced POPO (www.popo.tw), Taiwan's first digital publishing platform that connects publishers, writers and readers over an online creative community. The initiative marks an important milestone in Cité's development towards multimedia publishing. Also, in early 2010, Cité launched a mobile reading application "Cité Lifeel" for the iPhone and Android platforms. On the Mainland, Cité also sees growing popularity for its online reading platform Gurubear (www.gurubear.com.cn) and for its story houses for children.

TOM has made a succession of remarkable achievements in traditional publishing. The novel *Twilight* and its three sequels, published by Sharp Point, recorded a total print volume of over 860,000 copies as at December 2009. The series ranked in the top 10 best sellers among Taiwan's major bookstores and was the bestseller among online bookstores. The movie based on the novel has also become a blockbuster.

To further integrate its traditional and digital publishing platform resources, TOM will create a cartoon development website, called Comic Star, as well as an online community on photography namely DC Player in 2010, with the aim of nurturing more creative talent in Mainland China.

Major recognition for TOM's publishing group during the year included:

- *Business Weekly* was awarded "Best Business Magazine" at the 33rd Golden Tripod Awards
- *Business Weekly* took first place in the Vivian Wu Journalism Award for the "In-depth Report", "International Report" and "Cultural Report"
- 《拉丁美洲真相之路》(translated title: *Latin America – A Journey to the Truth*) by Marco Polo Press was among the Top Ten Books 2009 in *Yazhou Zhoukan*
- 《河岸》(translated title: *Riverside*) by Rye Field Publishing, was on *China Times'* list of Recommended Books 2009 for Chinese original works
- *The Heartless Stone* by Marco Polo Press, was on *China Times'* list of Recommended Books 2009 for translated works
- *Tales From Outer Suburbia* by Grimm Press, was on *China Times'* list of Recommended Books 2009 as the Best Book for Youngsters
- "Search Home" website won "Best Value-Added Service Award" at the third Digital Publishing Golden Tripod Awards 2009

Meanwhile, the Group extended its presence in the China market by publishing a variety of popular periodicals including *DG Best and International Wrist Watch*. In Hong Kong, the flagship *CUP* is the magazine of choice in educated circles.

OUTDOOR MEDIA

TOM Outdoor Media Group ("OMG") is a leading outdoor advertising operator with an advertising presence in more than 60 major cities in Mainland China. Together with the 14 subsidiaries established in first-tier cities including Beijing, Shanghai, Shenzhen; in second- and third-tier cities such as Dalian, Jinan, Xiamen and Chengdu, OMG provides professional one-stop media solutions to local and multinational corporations.

OMG operates a nationwide network of diversified and quality advertising assets from billboards to unipoles and continues to strengthen and expand its media portfolio by acquiring premium assets in leading cities. In cooperation with local government city planning initiatives, OMG focuses on developing high-margin quality and innovative media assets.

OMG is acknowledged as a leader in the industry in Mainland China as reflected by its many recent awards, including:

- "Special Contribution Award", in the 2009 Best Brand Contribution Award Among Advertising Companies
- Bronze Award, "Great Wall Advertising Award" 2009 at the China International Advertising Festival
- "Nationwide Leading Media Provider 2009", in the second Top 100 Outdoor Media Providers rankings
- "China's Most Valuable New Media 2009", at the China Enterprise Spokesman and Media Value Annual Conference 2009

TV & ENTERTAINMENT

China Entertainment Television (CETV) is a leading 24-hour Putonghua general entertainment channel providing the latest and popular Asian and international entertainment programming. As an industry trendsetter, CETV introduces first-run and exclusive popular dramas to audiences in China. CETV original productions such as *CEO Interview, Pink Lady* and *Trendy Master* offer a great variety of entertaining content and a powerful brand-building platform for advertisers by integrating commercial products into the programmes.

CETV is the first foreign satellite television channel to be granted landing rights into the cable systems of Guangdong. Leveraging the strengths of the Group's internet and wireless technology, CETV actively explores opportunities to enhance synergy between traditional and new media. The move deftly positions CETV to develop a multimedia platform that allows users to access CETV through a variety of media channels:

CETV official website: CETV.com has attracted over 1 million registered members. The website delivers timely entertainment news and interacts with users via the community network.

CETV official mobile website: m.cetv.com, with 300,000 registered members, provides live broadcast and video-on-demand features that enable users to view CETV programmes whenever and wherever they want.

Yangcheng ("YC"), an integrated communications business under the Television & Entertainment Group, is the preferred professional agency for international brands in China. The company mainly engages in cross-selling related Group products, media planning and buying, as well as providing tailor-made PR and marketing campaigns and nationwide event management for clients, such as Vinda, Nokia, Metholatum, Nike, adidas and Sa Sa. With its powerful execution capability, YC has already extended its presence to third- and fourth-tier cities across China.

FINANCIAL HIGHLIGHTS

For the year ended 31 December

In HKD Thousands	2009	2008	2007 (As restated)^	2006 (As restated)^	2005 (As restated)^
Results					
Turnover					
Internet	1,062,449	1,066,690	1,085,460	1,370,862	1,370,738
Publishing	867,315	1,011,734	947,544	948,063	1,034,859
Outdoor Media	353,447	464,722	440,178	391,166	412,280
Sports (discontinued)	–	–	–	–	208,487
Television & Entertainment	152,542	184,887	209,433	88,573	78,953
	2,435,753	2,728,033	2,682,615	2,798,664	3,105,317
EBITDA*	105,714	95,906	101,985	377,228	397,418
Operating profit/(loss)#	24,514	(1,367,755)	(231,651)	168,385	229,692
(Loss)/profit attributable to equity holders of the Company	(60,511)	(1,394,429)	(331,105)	12,169	248,132
Balance Sheet					
Total assets	5,241,384	5,878,715	8,768,438	8,290,723	7,790,270
Total liabilities and minority interests	3,583,231	4,186,321	5,957,832	5,362,966	4,900,484
Shareholders' funds	1,658,153	1,692,394	2,810,606	2,927,757	2,889,786

* EBITDA refers to profit/(loss) before finance costs, taxation, depreciation, amortisation, provision for impairment of goodwill and other intangible assets and net gain on deemed disposals of interests in subsidiaries. If including the excess of net assets value over cost of acquisition of additional interests in a subsidiary, the EBITDA for 2009 is HK$196,593,000.

\# Operating profit/(loss) refers to profit/(loss) before finance costs and taxation excluding net gain on deemed disposals of interests in subsidiaries.

^ In 2008, the Group had aligned the accounting policy such that the consolidated financial data for 2005 to 2007 had been restated accordingly. In 2007, the Group had discontinued the Sports Group operations such that the consolidated financial data for 2006 had been restated accordingly.

Despite difficult economic and market conditions, TOM Group reported stable performance with HK$2,436 million in revenue for the year. Operating profit was HK$25 million as compared to operating loss of HK$1,368 million last year. Loss attributable to shareholders was significantly reduced by 96% to HK$61 million or HK1.55 cents per share.

The Internet Group posted steady performance versus 2008 in spite of the continuing difficult environment for its wireless businesses and reported revenues of HK$1,062 million and segment profit of HK$54 million. During the year, in addition to developing its current cooperation with the NBA, the Group expanded its premium sports portfolio through strategic alliances with various partners including the CBA (Chinese Basketball Association), targeted to become the ultimate basketball destination for online and wireless users. The Group has enhanced its 3G wireless offerings by integrating its online and wireless resources such as NBA mobile services and Huangjianshumeng e-books, to offer seamless online and mobile experiences to users. The Group's e-commerce business showed continuing improvement during the year with a near 50% reduction in losses.

The Publishing Group has also demonstrated resilience in the face of difficult market conditions and reported revenues of HK$867 million and segment profit of HK$74 million during the year. In response to shifting consumer demand, the Group has accelerated its digital investments with the launch of various services including the online UGC (User Generated Content) publishing platform POPO in Taiwan and Chuanghwa Telecom's mobile e-book offerings.

The repurchase of shares from Singapore Press Holdings Limited earlier in the year provided TOM with the opportunity to consolidate its outdoor media business and integrate with the Group's other media resources. Revenues of the Outdoor Media Group ("OMG") were HK$353 million in 2009. Segment loss was reduced by 42% to HK$44 million before the one-off gain of HK$91 million from the share buy-back and provision for impairment of intangible assets of HK$7 million.

The advertising market downturn in the first half of 2009 and coverage issues continued to impede the performance of the Television & Entertainment Group. With a view to better positioning CETV as these impediments are removed the Group took measures to strengthen CETV's programme offerings and to expand and extend the range of interactive services on its digital platform. The Television & Entertainment Group reported improved financial performance with a 13% reduction in segment loss in 2009.

Despite an encouraging start to 2010, the recovery in Greater China and the outlook for a sustainable global recovery remain fragile. As a result, TOM Group will continue to adopt a cautious stance, maintaining a clear focus on financial and operating disciplines and investing selectively in innovative product and technology opportunities.

2009 was a challenging year for the company and our industries. I would like to take the opportunity to thank the management and all the staff of the Group for their concerted efforts and hard work in achieving a stable performance for the year in a volatile environment.

Frank John Sixt
Chairman

Hong Kong, 10 March 2010

Business and Operation Review

Despite the challenging business environment, the Group continued its approach of making long-term investments in unique and innovative offerings and optimising operational efficiency. During the year, the Group was able to register an operating profit of HK$25 million.

Following the global financial turmoil, the protracted recovery caused concerns throughout the market. Facing the uncertainties of the prevailing economic climate and the constraints of telecommunications policies in Mainland China, the Group will maintain its laser focus on unveiling technology-centric and mobile-internet enabled products and applications, providing a seamless user experience online, offline and via mobile.

INTERNET

Integrated online and wireless platforms post HK$54m segment profit

Despite the impact of certain telecommunications and internet regulatory policies in Mainland China, TOM Group has made ongoing efforts in optimising and integrating its wireless and internet businesses to deliver a device- and operator-agnostic platform, tapping into the 3G and mobile internet opportunities. During the period, the Internet Group posted revenues of HK$1,062 million and segment profit of HK$54 million.

Leveraging its partnerships with premium content and technology providers, TOM's Internet Group continued to offer a wide range of high quality and differentiated content and applications while creating an innovative and targeted platform for its advertisers online and via mobile.

Alliances with the NBA and CBA create online sports community

During the year, TOM entered into partnerships with a number of local and overseas sports giants, creating the ultimate sports community on an online and wireless platform.

In the course of the year, TOM launched the official NBA websites in Hong Kong (NBA.com/hongkong) and Taiwan (NBA.com/taiwan) following the successful activation of the official NBA website in Mainland China (NBA.com/china) in October 2008. In July 2009, TOM Sharkwave introduced the official NBA online community platform. Sharkwave offers sports fans access to the latest news and game statistics and also allows them to participate in online fantasy games. Sharkwave has been well received since the introduction of online games. The website has also won support from Hewlett Packard, a multinational advertiser, to sponsor its interactive games. As well as NBA sports, Sharkwave offers diverse content such as the WTA tour, highlights of qualification for the FIFA World Cup, the Premier League, and extreme sports to its users.

By combining TOM's cutting-edge wireless and internet technologies with the NBA's premium content, the Group not only created a seamless and integrated online/mobile/offline experience for sports fans, but also presented its advertisers with an innovative one-stop solution to reach its target audience. The NBA China recorded meaningful growth in page views during the NBA playoffs and also secured a number of local and overseas advertisers including adidas, Nike, Peak Sports, ASUSTek Computer and Qiaodan.

To further expand its sports offering, TOM cooperated with the Chinese Basketball Association in the launch of Uhoop (www.uhoop.cn), an interactive platform that promotes e-learning of basketball skills for youngsters and allows them to participate in online games and to exchange views with other sports fans. During the year, TOM formed an alliance with the NBL and also launched the official website for the Chengdu International Basketball Invitation Competition, organised by Olympian Professional Basketball Club to offer accurate and timely information on games, statistics and game highlights to fans, aiming to become the ultimate online basketball destination for users in Mainland China.

Tap 3G mobile internet opportunities to bring diversified content

With the arrival of 3G in the Mainland, the Group strengthened its cooperation with strategic partners, operators and handset manufacturers to develop innovative mobile internet services for users, riding on its competitive advantages in technology and rich content resources.

During the period, TOM's Huanjianshumeng website (hjsm.tom.com) introduced an e-book reader over the iPhone to extend its reach to various reader groups. Developed by TOM, the application allows readers to access a substantial library of books and bestselling novels from Huanjianshumeng, which currently has over 35,000 original novels. As the popularity of these novels grows, the iPhone reader delivers an enhanced reading experience for users.

Going forward, the Group will continue to develop unique applications. A recent example is the interactive internet platform Dietmama, jointly introduced by TOM and Guangdong General Hospital. The platform offers a variety of health information, interactive games and social networking features. A mobile version of the platform will be launched during 2010.

Beta Launch of online shopping platform

Jointly developed by TOM Group and the China Post Group, Ulechina (ulechina.com) is a unique B2C e-commerce platform that has attracted over a thousand well-known local and international merchants such as Shiseido, Beijing Tong Ren Tang, Avon, LG and Samsung since its beta launch in October 2009. More renowned brands of premium and authentic goods are expected to join the Ulechina platform in the coming year.

During the year, TOM's e-commerce business continued to show improvement. TOM's share of losses in Eachnet was reduced by nearly 50%, driven by continued improvement in operational efficiency and ongoing efforts to introduce differentiated products and service offerings. Eachnet partnered with Taiwan External Trade Development Council to open the "Taiwan Zone". The Zone is the first and only online marketplace in Mainland China for selling imported Taiwan foods. Currently, an array of over 300 Taiwan food products is available.

PUBLISHING

Reports HK$74m segment profit with breakthroughs in traditional publishing

The Publishing Group posted revenues of HK$867 million and segment profit of HK$74 million amidst a tough operating environment in the traditional publishing market. Despite the adverse impact of the financial crisis in the first half, the advertising revenue of *Business Weekly*, the Group's flagship magazine in Taiwan, rebounded by 60% in the second half. During the year, Cité maintained a stringent selection process and strict quality control for its new titles. The Publishing Group continued to be widely acclaimed and made breakthroughs by expanding into digital publishing in the Greater China market following the successful introduction of the Cité official site and the online reading club in Taiwan. Meanwhile, Pixnet is the second leading social networking website in Taiwan and is also the No.1 celebrity entertainment blog in the region.

Launch POPO – the first digital publishing platform in Taiwan

In response to the growing consumption of content online, the Publishing Group stepped up its digital offerings with the launch of Taiwan's first online publishing platform POPO (www.popo.tw) in December 2009. POPO allows original content to be published, distributed and purchased on a single online platform, and also marks an important milestone in Cité's development towards multimedia publishing.

POPO provides a digital platform for writers to present their original work and sell their content directly to readers using a micropayment system. Readers can choose whether to buy a whole book or choose to just the chapter that they are interested in. POPO also serves as an excellent platform to test readers' interest in published titles. At present, POPO has secured partnerships with over 30 publishers and 50 authors to provide over 800 licensed titles. The number of titles is expected to exceed 10,000 in 2010 and reach 1 million within five years. The platform will offer a multifaceted reading experience when the available viewing formats are expanded from text and images to include video in the near future. Earlier this year, Cité and Shanda Literature jointly created a Taiwan version of Qidian (www.qidian.com.tw).

As part of its digital publishing initiatives, Cité debuted a handset reading service – "Cité Lifeel" in the first quarter of 2010 with which users may download Cité's magazines free of charge over iPhones and Android phones. The contents are categorised into five major areas: Design, Gardening, Watches, Travel and Home & Decoration, and presented as video or a 3D frame. "Search Home", the website under the magazine *MyHomeLife*, received "The Best Value-Added Service" award at the 3rd Digital Publishing Golden Tripod Awards 2009.

In Mainland China, Cité has launched a children's e-book platform called Gurubear (www.gurubear.com.cn). The website has been well received by readers with average daily page views and visitors recording double-digit growth quarter-on-quarter. Cité is going to open 10 Gurubear story houses in Beijing to offer online and offline reading services to about 5,000 families. The Gurubear story houses were so popular that CCTV Children's Channel has also adapted its innovative concept and fascinating content for use.

Going forward, the Publishing Group will continue to introduce innovative products and services that are in line with its digital strategies, aiming to launch print and digital versions of new titles simultaneously and provide its users with more dynamic reading experiences through their e-book readers, computers and mobile phones.

Twilight tops Taiwan sales in 2009

The novel *Twilight* and its three sequels, published by TOM's Sharp Point, recorded a total print volume of over 860,000 copies. The novel has been ranked in the top 10 best sellers among Taiwan's major bookstores and the bestseller on online bookstores. The movie based on the novel has also become a blockbuster.

In addition, a number of books published in Taiwan were honoured with awards. 《河岸》(translated title: *Riverside*), *The Heartless Stone* and *Tales From Outer Suburbia* were selected as "Recommended Books" in their respective categories of Chinese Original Writing, Translated Works and Best Books for Youngsters in the Recommended Books 2009 organised by *China Times*. Moreover, 《拉丁美洲真相之路》(translated title: *Latin America — A Journey to the Truth*) was among *Yazhou Zhoukan's* Top Ten Books of 2009. In magazines, *Business Weekly* was awarded "Best Business Magazine" in the magazines category of the 33rd Golden Tripod Awards.

OUTDOOR MEDIA

Optimises asset portfolio to develop interactive new media

To further improve operational efficiency and flexibility in its outdoor business, TOM repurchased the remaining 35% stake in Outdoor Media Group ("OMG") from Singapore Press Holdings Limited in May 2009. The share buyback allowed TOM to consolidate its control of OMG and realise synergies between its outdoor business and the Group's other businesses. During the year, OMG has regained growth momentum and reported revenues of HK$353 million with segment loss reduced by 42% to HK$44 million.

Develop technology-driven media assets

In response to market's growing demand for digital outdoor media assets in Mainland China, OMG has been working closely with the local authorities and focused its new developments on high-margin interactive outdoor media, leveraging our strengths in wireless and online technology. The Group believes that these products, with physical appeal and superior functionality, will offer targeted solutions for advertisers.

Meanwhile, OMG will continue to provide innovative and integrated advertising solutions to local and multinational advertising clients. During the year, OMG has secured advertising with world-renowned brands including Ford, Sharp and Bridgestone. The group is also the appointed agent for Amway in certain South China and North China regions.

TELEVISION & ENTERTAINMENT

Enhanced programme offerings and improved ratings; advertising revenue leaps by 60% in 2H

Over the year, CETV has continued to strengthen its programme offerings through cooperation with various content partners. By introducing first-runs and exclusive premieres of popular dramas, coupled with effective on-the-ground marketing programmes, CETV was able to boost its ratings and strengthen its relationships and cooperation with clients. With a slew of innovative original productions and popular dramas, CETV is able to provide diverse quality content for TOM's wireless business.

As a result of the continued efforts of the team, CETV is poised for stable and healthy growth with its advertising revenue increased by 60% in the second half compared with the first half. In the review period, the Television & Entertainment Group reported revenues of HK$154 million while segment loss was reduced by 13% over last year to HK$50 million.

In-house-produced programmes for clients

Launched in August 2009, the in-house-produced talk show *CEO Interview* provided a great opportunity for clients to build their brands and feature their management as industry leaders. In the next season of *CEO Interview*, from May 2010, celebrities and community leaders such as Wenny Wang, CEO of Business Weekly Media Group, will be invited to join as hosts for the programme.

During the year, CETV has also tailor-made creative and unique entertainment shows for its clients to promote their brands. In addition to popular original programmes such as *Beauty First*, *A Beauty's Trick* and *Entertainment Power*, the *Trendy Master* is another popular original programme featuring celebrities and artists who share their views on fashion, cosmetics and fine dining. This kind of premium show not only appeals to an audience with high spending power but also enhances CETV's image as a premier entertainment channel.

In July 2009, CETV co-organised the *Pepsi Star Concert* together with Pepsi in Guangdong province. Later, in November, CETV produced a lifestyle show *Pink Lady* for Watsons, the largest health and beauty retail chain in Asia. With many popular and well known artists appearing as guests, the show was well received by the audience.

Reaching a broader audience demographic with new health food programming

To further expand its audience base, CETV will launch a series of new programmes in 2010. One major programme will be hosted by celebrities including Angel Tong, Chairman of Angel Face Group, and will feature gourmet and health food.

Premier programmes recognised by key industry player, Hunan TV

As CETV's in-house-produced programmes grow in popularity in Mainland China, Hunan TV's Mango TV entered into a cooperation with CETV. The cooperation will enable audiences to access CETV's premium content through various media channels, broadening CETV's revenue streams.

Extending prime time to boost ratings

During the year, CETV broadcast popular Taiwanese dramas such as *Black and White, To Get Her* as well as Korean dramas including *My Wife is a Superwoman and Temptation of Wife*. The dramas shown on CETV were all very well received in Mainland China and have expanded the target group to women. Following the success of the previous series of *One Million Star*, CETV will broadcast another new series of *One Million Star* by China Television. CETV's prime-time ratings in Guangzhou and Shenzhen in December 2009 increased by over 50% compared with the same period last year. To further boost ratings and expand revenue streams, CETV will be extending its prime time from two hours to three hours of popular overseas dramas.

Create mobile entertainment on an integrated media platform

CETV further extended its range of services to the digital platform to increase user loyalty and stickiness. The launch of m.cetv.com allows users to have access of video clips of artists and CETV's programmes highlights from their mobile, enjoying an all-round viewing experience via online, offline and mobile.

More multinationals entrust YC with marketing campaigns

As the preferred marketing company for multinational brands, Yang Cheng (YC) had tailor-made innovative marketing solutions for various well-known brands such as Nokia, Mentholatum, adidas, Vinda and Sa Sa. YC has been the preferred agency for Nokia for consecutive years responsible for organising the innovative and first-of-its-kind "Nokia Experience Van" and "Nokia Music Van Tour" projects that reached over thousands of cities nationwide. Other marketing campaigns during the year included the "2009 NIKE IGNITE YOUR GAME" for Nike and the fun fair for POTENZA, Bridgestone.

Financial Review

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

Revenue

The Group's revenue for the year ended 31 December 2009 amounted to HK$2,436 million, a decrease of 10.7% compared with the previous of HK$2,728 million.

Segmental Results

The Internet Group reported gross revenues of HK$1,062 million compared to last year's HK$1,067 million. Segment profit was HK$54 million versus last year's HK$63 million.

Gross revenues of the Publishing Group decreased by 14.3% to HK$867 million compared with last year's HK$1,012 million. Segment profit decreased by 22.5% to HK$74 million versus HK$96 million in 2008.

The Outdoor Media Group reported gross revenues of HK$353 million, a decrease of 23.9% compared to last year's HK$465 million. Segment loss was HK$44 million versus last year's loss of HK$75 million.

Gross revenues of the Television & Entertainment Group was HK$154 million, versus last year's HK$187 million. Segment loss was HK$50 million compared with last year's HK$58 million.

Operating Expenses

The operating expenses of the Group during the year under review decreased by 19.8% to HK$708 million as compared to HK$883 million in year 2008, as a result of the Group's ongoing cost control measures.

Operating Profit

The Group's operating profit for the year amounted to HK$25 million which includes the excess of net assets value over cost of acquisition of additional interests in a subsidiary of HK$91 million and a provision for impairment of goodwill and other assets of HK$7 million, compared with last year's operating loss of HK$1,368 million which includes a provision for impairment of goodwill and other assets of HK$1,250 million.

Loss Attributable to Shareholders

The Group's loss attributable to shareholders was HK$61 million, compared to HK$1,394 million in year 2008.

Liquidity and Financial Resources

As at 31 December 2009, TOM Group had bank and cash balances, including pledged deposits, of approximately HK$1,231 million. A total of HK$2,608 million financing facilities were available, of which HK$2,004 million had been utilised as at 31 December 2009, to finance the Group's acquisitions, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$1,961 million as at 31 December 2009. This included long-term bank loans of approximately HK$1,841 million and short-term bank and other loans of approximately HK$120 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 49% as at 31 December 2009, as compared to 51% as at 31 December 2008.

As at 31 December 2009, the Group had net current assets of approximately HK$737 million, as compared to a net current liabilities of approximately HK$436 million as at 31 December 2008. During the year, the Group had entered into agreements with several banks and secured new banking facilities of totalling HK$1,900 million for a period of three years.

As at 31 December 2009, the current ratio of TOM Group was 1.51 compared to 0.86 at 31 December 2008.

In year 2009, the Group generated net cash of HK$142 million from its operating activities, as compared to HK$115 million in the year 2008. Net cash from investing activities was HK$223 million, which mainly included the proceed of HK$394 million from the sales/maturity of available-for-sale financial assets and dividend income of HK$18 million, partly offset by the capital expenditures of HK$142 million and acquisition of additional interest in a subsidiary of HK$60 million. During the year, the net cash outflow from financing activities amounted to HK$518 million, included in which was mainly the repayment of bank loans, net of new drawn downs, of HK$402 million, payment of loan arrangement fee of HK$27 million and dividends paid to minority shareholders of HK$46 million.

Charges on Group Assets

As at 31 December 2009, the Group had restricted cash amounting to HK$45 million, mainly bank deposits pledged to banks for securing banking facilities granted to certain subsidiaries of the Group.

Foreign Exchange Exposure

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

Contingent Liabilities

(a) In September 2008 and August 2009, a subsidiary of the Group in Taiwan received a revised income tax assessment for the year ended 31 December 2004 and 2005, respectively, from the local tax authority. In these revised tax assessments, the tax authority claimed that an amortisation of intangible assets amounting to approximately NT$44 million (approximately HK$10 million) and NT$146 million (approximately HK$35 million) was not deductible from the assessable profits of the subsidiary in 2004 and 2005 respectively. This gave rise to a potential additional income tax liability to the Group of approximately NT$48 million (approximately HK$11 million).

The subsidiary has engaged and consulted with an external tax representative on this matter. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Accordingly, the subsidiary has filed appeals to the tax authority and requested for a re-examination of the deductibility of the amortisation charge from the assessable profit of the subsidiary in 2004 and 2005. Up to the date of these financial statements, the appeals are still outstanding and no results have been finalised.

Should the tax appeal by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2006 to 2009 would also be revised on a similar basis as that of years 2004 and 2005. The total incremental tax liability to the Group thereon is approximately NT$205 million (approximately HK$49 million) (2008: NT$155 million, approximately HK$37 million). Nevertheless, based on the consultation with the tax representative, management considers that the amortisation charge should be tax deductible under the tax rules in Taiwan and so no provision for such potential tax liability has been made in the Group's consolidated financial statements for the year ended 31 December 2009.

(b) In April 2004, a subsidiary of the Group (the "Subsidiary") entered into a lease agreement ("Lease Agreement") with two business partners (the "JV Partners") for leasing of certain media assets from them. Later in October 2005, the Subsidiary also entered into a Cooperative Framework Agreement ("Cooperative Agreement") with the JV Partners to set up a joint venture together for operating the media assets under the Lease Agreement. The joint venture was then established in August 2006.

In August 2008, the JV Partners filed a claim against the Subsidiary before Pudong New Area People's Court of Shanghai Municipality for certain rental charges and related penalty under the Lease Agreement (the "Litigation Case"). At the same time, the Subsidiary also filed an arbitration case before China International Economic and Trade Arbitration Commission, Shanghai Commission (the "Arbitration Commission"), claiming that the JV Partners had violated certain clauses in the Cooperative Agreement, and demand the JV Partners to act in accordance with the Cooperative Agreement (the "Arbitration Case").

In November 2009, a judgment of the Litigation Case was issued in favor of the JV Partners and under which the Subsidiary was liable for a rental payment of RMB17 million (approximately HK$19 million) and a penalty interest of RMB11 million (approximately HK$13 million). Nevertheless, in January 2010, the Arbitration Commission issued a judgment on the Arbitration Case. In this judgment, the Arbitration Commission agreed that the JV Partners had violated certain clauses of the Cooperative Agreement. However, due to certain external factors, it is not possible to demand the JV partners to act according to the Cooperative Agreement at the present date. Instead, the Arbitration Commission suggested that the Subsidiary should file another case to claim for damages from the JV Partners due to their violation of the Cooperative Agreement.

Basing on the judgment of the Arbitration Case and corresponding legal advices, the Subsidiary is in the process of preparing appeals against the Litigation Case and filing a second arbitration. Any liabilities of the Subsidiary under the Litigation Case will also be included as a claim from the JV Partners by the Subsidiary under the second arbitration.

Employee Information

As at 31 December 2009, TOM Group had 3,261 full-time employees. Employee costs and stock option costs, excluding Directors' emoluments, totalled HK$528 million for the year (2008: HK$570 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the TOM Group's salary and bonus system, which is reviewed annually. A wide range of benefits including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the TOM Group. Social, sporting and recreational activities were arranged during the year for the employees on a Group-wide basis.

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

Disclaimer:

Non-GAAP measures

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

Frank John Sixt

aged 58, has been a Non-Executive Director and the Chairman of the Company since 15 December 1999 and is the Chairman of the Remuneration Committee of the Company. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited, a Non-Executive Director of Hutchison Telecommunications International Limited and Hutchison Telecommunications Hong Kong Holdings Limited, and a Director of Hutchison Telecommunications (Australia) Limited and Husky Energy Inc. He is also the Group Finance Director of HWL, a Non-Executive Director of CKH, and a Director of Easterhouse Limited, Hutchison International Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Li Ka-Shing Unity Trustee Corporation Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law of Society of the Provinces of Quebec and Ontario, Canada.

Yeung Kwok Mung

Aged 45, has been the Chief Executive Officer and an Executive Director of the Company since 26 March 2008. Prior to joining the Company, he was a Director and Chief Executive Officer of Horizons Ventures Limited and ChinaCare Investments Holdings Limited respectively, these companies are controlled by Ms. Chau Hoi Shuen and Cranwood Company Limited, the substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to that, Mr. Yeung worked at Mckinsey & Company, Inc. for over 6 years in Sydney, Melbourne and Hong Kong covering mainly the telecommunications, electronics and e-commerce industry sectors in the area of business strategy, business re-engineering and operational improvements. Mr. Yeung worked for Coca-Cola China Limited as Director of Strategy for Coca-Cola Greater China. He also held management positions in business development and sales & marketing at General Electric. He holds a Bachelor of Science degree in Electrical Engineering and a Master of Science degree in Electrical Engineering and Computer Science from Massachusetts Institute of Technology.

Mak Soek Fun, Angela

aged 45, has been an Executive Director of the Company since 16 March 2006 and the Chief Financial Officer of the Company since 1 February 2008. She has also been re-appointed as the Company Secretary of the Company with effect from 28 July 2007. Ms. Mak holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of New South Wales in Australia and has been admitted as a solicitor in New South Wales (Australia), England and Wales and Hong Kong. Prior to joining the Company, she was a senior group legal counsel of HWL.

Chang Pui Vee, Debbie

aged 59, has been a Non-Executive Director of the Company since 5 October 1999. She holds a Bachelor of Arts degree from Hunter College, New York City. She has been directing business development in Mainland China for a number of years and is a Director of Orient Overseas Developments Ltd. and Beijing Oriental Plaza Company Ltd. Ms. Chang is a member of the People's Consultative Party of Beijing, Eastern City District.

Chow Woo Mo Fong, Susan

aged 56, has been a Non-Executive Director of the Company since 5 October 1999 and is an alternate member to the Chairman of the Remuneration Committee of the Company. She is an Executive Director of Cheung Kong Infrastructure Holdings Limited, Hutchison Harbour Ring Limited and Hongkong Electric Holdings Limited, and a Director of Hutchison Telecommunications (Australia) Limited and Partner Communications Company Ltd. She is also the Deputy Group Managing Director of HWL, and a Director of Hutchison International Limited and Easterhouse Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mrs. Chow is a solicitor and holds a Bachelor's degree in Business Administration.

Ip Tak Chuen, Edmond

aged 57, has been a Non-Executive Director of the Company since 15 October 1999. He is also a Deputy Managing Director of CKH, an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-Executive Director of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore), AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited, Ruinian International Limited and Shougang Concord International Enterprises Company Limited (all being listed companies), and a Director of ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) as the Manager of Fortune REIT and ARA Trust Management (Suntec) Limited as the Manager of Suntec REIT. Both Fortune REIT and Suntec REIT are listed in Singapore. Mr. Ip was previously a Non-Executive Director of The Ming An (Holdings) Company Limited (whose shares were withdrawn from listing on 2 November 2009). Mr. Ip is also a Director of certain companies which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Cheong Ying Chew, Henry

aged 62, has been an Independent Non-Executive Director of the Company since 21 January 2000. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is also an Independent Non-Executive Director of CKH, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, Cheung Kong Infrastructure Holdings Limited, Excel Technology International Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, New World Department Store China Limited, SPG Land (Holdings) Limited and CNNC International Limited, all being listed companies in Hong Kong, and an Executive Director and the Deputy Chairman of Worldsec Limited, a company listed in London. He is also a Member of the Securities and Futures Appeals Tribunal, a Member of the Advisory Committee of the Securities and Futures Commission and a Member of the Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants. He was an Independent Non-Executive Director of FPP Golden Asia Fund Inc. (formerly known as Jade Asia Pacific Fund Inc.), a company listed in Ireland, up until October 2008.

Lee Pui Ling, Angelina

aged 61, was appointed as an Independent Non-Executive Director of the Company on 28 January 2000. She has been re-designated as a Non-Executive Director of the Company with effect from 4 August 2004 and is a member of the Audit Committee of the Company. She is also a Non-Executive Director of Cheung Kong Infrastructure Holdings Limited and Henderson Land Development Company Limited, and an Independent Non-Executive Director of Great Eagle Holdings Limited. She is active in public service and is a Non-Executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-Executive Director of the Mandatory Provident Fund Management Board. She is a practising solicitor. She has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Wu Hung Yuk, Anna

aged 59, has been an Independent Non-Executive Director of the Company since 25 August 2003. She is also a member of the Audit Committee and the Remuneration Committee of the Company. She is a qualified solicitor. She holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong. She is currently a Non-Official Member of the Executive Council, a Member of the Law Reform Commission, a Council Member of the Hong Kong International Arbitration Centre and the Chairperson of the Mandatory Provident Fund Schemes Authority. She was a Non-Executive Director of the Securities & Futures Commission up until end of 2004 and a Non-Executive Director of the Mandatory Provident Fund Schemes Authority up until mid March 2005. Previously she was the Chairperson of the Equal Opportunities Commission, Chairperson of the Operations Review Committee of the Independent Commission Against Corruption, Chairperson of the Consumer Council and a Member of the Legislative Council.

James Sha

aged 59, was appointed as a Non-Executive Director of the Company on 12 May 2000. He has been re-designated as an Independent Non-Executive Director of the Company with effect from 4 August 2004. He is also a member of the Audit Committee of the Company. He has held senior positions with a number of large Internet-related companies. Since November 1999, he has been a Managing Partner with Spring Creek Ventures, a partnership specialising in early stage venture investment and business consultation with Internet and infrastructure companies. He is currently serving on the board of directors of several start-up companies. His board memberships include Appstream, Armorize, E21, LiveABC, Optoplex and Mediostream. He also served as the Chief Executive Officer for Sina.com. Prior to that, he was the Senior Vice President, Commerce Solutions, at Netscape Communications. He has also held senior positions with Actra Business Systems, Oracle's UNIX Product Division and the Advanced Systems Division of Wyse Technology. He holds a Master of Science degree in Electronic Engineering and Computer Science from the University of California, Berkeley, a Master of Business degree from Santa Clara University and a Bachelor of Science degree in Electronic Engineering from Taiwan University.

Francis Anthony Meehan

aged 39, has been an alternate Director to each of Mr. Frank John Sixt (Chairman), Ms. Chang Pui Vee, Debbie, Mrs. Chow Woo Mo Fong, Susan and Mr. Ip Tak Chuen, Edmond, all being Non-executive Directors of the Company, since 25 March 2008. He is also a Director and General Manager, Global Handset and Applications Group of HWL, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, since March 2001. Prior to that, Mr. Meehan was a Director of Sales & Marketing for New Operators, Ericsson UK. He holds a Bachelor of Engineering (Mechanical).

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

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

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2009.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2009.

Board of Directors

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

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

As at 31 December 2009, the Board comprised eleven Directors, including the Chairman, Chief Executive Officer, Chief Financial Officer, five Non-executive Directors (one is an Alternate Director) and three Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 17 to 20.

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

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

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

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

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

The Board held 4 regular meetings in 2009 with an average attendance rate of approximately 93%.

The attendance records of the Board meetings held in 2009 are set out below:

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

Apart from the regular Board meetings, a meeting between the Chairman and the Non-executive Directors and Independent Non-executive Directors without the presence of the Executive Directors was held in the third quarter of 2009.

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

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

Directors' Responsibility for the Financial Statements

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

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

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 47 to 48.

Audit Committee

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

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

The Audit Committee held 5 meetings in 2009 with an average attendance rate of 90%.

The attendance records of the Audit Committee meetings held in 2009 are set out below:

Name of Member	Attended
Mr. Cheong Ying Chew, Henry *(Chairman)*	5/5
Ms. Wu Hung Yuk, Anna	5/5
Mr. James Sha	3/5
Mrs. Lee Pui Ling, Angelina	5/5

For 2009, the Audit Committee reviewed with senior management and the Company's internal and/or external auditor, where applicable, their respective audit findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance, and internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended 31 December 2009 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Company and the annual report and accounts and interim report and accounts of the Company, discussed such annual report and audited accounts and interim report and accounts with management and the external auditor, and reviewed significant financial reporting judgments contained therein. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

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

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

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

The audited consolidated results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee.

Auditor's Remuneration

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2009, the remunerations to the auditor of the Company were approximately HK$12,814,000 for audit services and HK$662,000 for non-audit services comprising tax and consultancy services.

Remuneration Committee

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

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

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

Consistent with the principles applied in the past, for the year ended 31 December 2009, the remuneration of Directors and senior management was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the year ended 31 December 2009 are set out in note 13 to the accounts.

Internal Control

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

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2009 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Investor Relations and Shareholders' Rights

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

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

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend the annual general meetings for which the Company gives at least 20 clear business days' notice. The Chairman, Directors and external auditor are available to answer questions on the Group's businesses at the meeting.

Shareholders have statutory rights to call for extraordinary general meetings by serving written requisition to the Company and put forward agenda items for consideration by shareholders. Votes of shareholders at general meetings will be taken by poll and the results of the poll are published on the Company's website. Financial and other information is available on the Company's website, which is updated regularly.

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

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2009.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, jointly controlled entities and associated companies are set out on pages 135 to 139.

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

Results and appropriations

The results for the year are set out in the consolidated income statement on page 49.

The Directors do not recommend the payment of a dividend.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 35 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

Share capital and share options

Details of the movements in share capital and share options of the Company are set out in notes 33 and 34 to the accounts respectively.

Distributable reserves

Details of the distributable reserves of the Company as at 31 December 2009 are set out in note 35 to the accounts.

Directors

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

Mr. Frank John Sixt * *(Chairman)*
Mr. Yeung Kwok Mung *(Chief Executive Officer)*
Ms. Mak Soek Fun, Angela
Ms. Chang Pui Vee, Debbie *
Mrs. Chow Woo Mo Fong, Susan *
Mr. Ip Tak Chuen, Edmond *
Mr. Cheong Ying Chew, Henry #
Mrs. Lee Pui Ling, Angelina *
Ms. Wu Hung Yuk, Anna #
Mr. James Sha #
Mr. Francis Anthony Meehan * *(alternate to each of Mr. Frank John Sixt, Ms. Chang Pui Vee, Debbie, Mrs. Chow Woo Mo Fong, Susan and Mr. Ip Tak Chuen, Edmond)*

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

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

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

Directors' service contracts

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

Confirmation of independence of independent non-executive Directors

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

Directors' profile

The Directors' profile is set out on pages 17 to 20.

Directors' emoluments

Details of the Directors' emoluments are set out in note 13 to the accounts.

Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, the Pre-IPO Share Option Plan ("Pre-IPO Share Option Plan") and the employees share option scheme (as amended on 24 April 2002) ("Old Option Scheme") were adopted by the Company.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 July 2004, the Company adopted a new share option scheme ("New Option Scheme") and terminated the Old Option Scheme due to the withdrawal of the listing of the shares of the Company on GEM and commencement of dealings of the shares of the Company on the Main Board. The adoption of the New Option Scheme and the termination of the Old Option Scheme took effect from 4 August 2004 (listing date of the shares of the Company on the Main Board) (the Pre-IPO Share Option Plan, the Old Option Scheme and the New Option Scheme collectively are referred to as the "Schemes").

Summary of the Schemes

(a) Purpose of the Schemes

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

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

(b) Participants of the Schemes

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employee of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares in the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on GEM on 1 March 2000.

Pursuant to the Old Option Scheme and the New Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up option to subscribe for shares of the Company. However, participants do not include any substantial shareholder of the Company and/or any of its Associates. No further options may be granted under the Old Option Scheme upon its termination.

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

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the New Option Scheme (i.e. 388,941,336 shares of the Company, which represents approximately 10% of the issued share capital of Company as at 10 March 2010).

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

(d) Maximum entitlement of each participant

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

(e) Time of exercise of options

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

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

(f) Payment on acceptance of option

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

(g) Basis of determining the subscription price

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

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

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

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

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

(h) **Remaining life of the Schemes**

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

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

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

Outstanding share options

As at 31 December 2009, options to subscribe for an aggregate of 34,544,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 31 December 2009, options to subscribe for an aggregate of 7,116,000 shares of the Company were outstanding and these options relate to the options granted to certain employees of the Group at the date of grant. Details of which were as follows:

		Number of share options						
	Date of grant	Outstanding as at 1 January 2009	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2009	Option Period	Subscription price per share of the Company
								HK$
Directors	11/2/2000	3,026,000	–	–	–	3,026,000 *(Note)*	11/2/2000 – 10/2/2010	1.78
Employees (including ex-employees)	11/2/2000	4,090,000	–	–	–	4,090,000 *(Note)*	11/2/2000 – 10/2/2010	1.78
	Total:	7,116,000	–	–	–	7,116,000		

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

(b) Old Option Scheme

As at 31 December 2009, options to subscribe for an aggregate of 27,428,000 shares of the Company which were granted to certain Directors and continuous contract employees of the Group were outstanding. Details of which were as follows:

		Number of share options							
	Date of grant	Outstanding as at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2009	Option period	Subscription price per share of the Company *HK$*
Directors (including ex-directors) *(Note 1)*	15/11/2000	15,000,000	–	–	–	–	15,000,000	15/11/2000 – 14/11/2010	5.30
	9/10/2003	27,850,000	–	–	–	(21,850,000)	6,000,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees)	23/3/2000	1,326,000	–	–	–	(192,000)	1,134,000 *(Note 2)*	23/3/2000 – 22/3/2010	11.30
	26/6/2000	508,000	–	–	–	(204,000)	304,000 *(Note 3)*	26/6/2000 – 25/6/2010	5.89
	8/8/2000	4,982,000	–	–	–	(1,350,000)	3,632,000 *(Note 4)*	8/8/2000 – 7/8/2010	5.30
	9/10/2003	6,362,000	–	–	–	(5,004,000)	1,358,000 *(Note 5)*	9/10/2003 – 8/10/2013	2.505
	Total:	56,028,000	–	–	–	(28,600,000)	27,428,000		

Notes:

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

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

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

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

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

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

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

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

(c) New Option Scheme

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

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

As at 31 December 2009, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

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

(b) Rights to acquire shares of the Company

Pursuant to the Pre-IPO Share Option Plan and/or the Old Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company. Details of which as at 31 December 2009 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 31 December 2009	Option period	Subscription price per share of the Company
				HK$
Mak Soek Fun, Angela	11/2/2000	3,026,000 *(Note 1)*	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 *(Note 2)*	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 *(Note 3)*	15/11/2000-14/11/2010	5.30

Notes:

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

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

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

Save as disclosed above, during the year ended 31 December 2009, none of the Directors was granted options to subscribe for shares of the Company, nor had exercised such rights. No option granted to the above Directors was lapsed or cancelled during the year ended 31 December 2009.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of shareholders

As at 31 December 2009, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545*(L)* *(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	Trustee & beneficiary of a trust	1,429,024,545*(L)* *(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustcorp Limited *(as trustee of another discretionary trust)*	Trustee & beneficiary of a trust	1,429,024,545*(L)* *(Notes 1 & 2)*	36.70%
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	Trustee	1,429,024,545*(L)* *(Notes 1 & 2)*	36.70%
CKH	Interest of controlled corporations	1,429,024,545*(L)* *(Notes 1 & 2)*	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182*(L)* *(Note 1)*	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182*(L)* *(Note 1)*	12.23%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182*(L)* *(Note 1)*	12.23%
Romefield Limited	Beneficial owner	476,341,182*(L)* *(Note 1)*	12.23%
HWL	Interest of controlled corporations	952,683,363*(L)* *(Note 2)*	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363*(L)* *(Note 2)*	24.47%
Easterhouse Limited	Beneficial owner	952,683,363*(L)* *(Note 2)*	24.47%
Chau Hoi Shuen	Interest of controlled corporations	991,004,363*(L)* *(Notes 3 & 4)*	25.45%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	991,004,363*(L)* *(Notes 3 & 4)*	25.45%
Schumann International Limited	Beneficial owner	580,000,000*(L)* *(Notes 3 & 4)*	14.90%
Handel International Limited	Beneficial owner	348,000,000*(L)* *(Notes 3 & 4)*	8.94%

(L) denotes a long position

Notes:

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

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

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

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

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

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

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

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 63,004,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 63,004,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

(4) Cranwood Company Limited, Schumann International Limited and Handel International Limited have charged 63,004,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company respectively in favour of HWL on 20 July 2009.

Save as disclosed above, as at 31 December 2009, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Connected transactions

Significant related party transactions entered by the Group during the year ended 31 December 2009, which do not constitute connected transactions under the Listing Rules are disclosed in note 42 to the accounts.

(1) Connected transaction

On 13 May 2009, TOM Outdoor Media Holdings Limited ("TOM Outdoor Media Holdings", a wholly-owned subsidiary of the Company) has entered into a sale and purchase agreement ("Agreement") with SPH AlphaOne Pte Ltd ("SPH", a connected person of the Company by virtue of being a substantial shareholder of TOM Outdoor Media Group Limited ("TOM OMG")) and TOM OMG, under which, TOM Outdoor Media Holdings has agreed to acquire the remaining 35% of the issued share capital of TOM OMG from SPH at a total consideration of HK$60,000,000. At completion, TOM OMG becomes a wholly-owned subsidiary of TOM Outdoor Media Holdings. Details of the aforesaid transaction have been disclosed in the announcement dated 13 May 2009 of the Company and the circular dated 3 June 2009 of the Company.

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

(2) Continuing connected transactions

(a) On 20 November 2006, TOM.COM (China) Investment Limited ("TOM (China)", a subsidiary of the Company) has entered into a tenancy agreement with Beijing Oriental Plaza Company Limited ("Beijing Oriental", an Associate of CKH, a substantial shareholder of the Company) in respect of the lease by Beijing Oriental of Rooms 3, 4, 5, 6B & 7B, 9th Floor, Tower W3, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the PRC ("Oriental Plaza") to TOM (China) with an area of approximately 1,012.19 square metre for a term of 3 years commencing from 15 December 2006 to 14 December 2009. The annual total amount of the rent and management fee payable by TOM (China) are subject to the annual caps of RMB1,830,040, RMB1,685,297 and RMB1,733,180 for the years 2007, 2008 and 2009 respectively. During the year, RMB1,733,180 has been paid by TOM (China) to Beijing Oriental. The aforesaid tenancy agreement has expired on 14 December 2009.

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

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

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

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

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

The annual caps for the Advertising Payment are HK$15,000,000, HK$20,000,000 and HK$22,000,000 for the years 2007, 2008 and 2009 respectively. During the year, the Advertising Payment paid by Yangcheng Advertising to YCWB amounted to HK$21,480,000. The aforesaid advertising agency agreement has expired on 31 December 2009.

(g) On 30 December 2008, TOM International has entered into an advertising services agreement with CKH, under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the CKH Group at a fee to be calculated with reference to the then market rate for a term commencing from 1 January 2009 and expiring on 31 December 2011, subject to the annual caps of HK$2,000,000 each for the years 2009, 2010 and 2011 respectively. During the year, no advertising fee has been paid by CKH to the Group.

(h) On 30 December 2008, TOM International has entered into an advertising services agreement with Hutchison International Limited ("HIL", a wholly-owned subsidiary of HWL, a substantial shareholder of the Company), under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the HIL Group at a fee to be calculated with reference to the then market rate for a term commencing from 1 January 2009 and expiring on 31 December 2011, subject to the annual caps of HK$25,000,000, HK$25,000,000 and HK$26,000,000 for the years 2009, 2010 and 2011 respectively. During the year, HK$24,923,000 has been paid by HIL to the Group.

(i) In consideration of CKH, HWL and Cranwood Company Limited ("Cranwood") (all being substantial shareholders of the Company) granting the guarantees ("Guarantees") in respect of the Company's obligations under the term and revolving loan facilities of up to an aggregate principal amount of HK$1,600 million by three independent financial institutions and/or the term loan facility of up to HK$300 million in principal amount by an independent financial institution (collectively, the "Loan Facilities"), on 21 July 2009, the Company has entered into certain guarantee fee agreements with CKH, HWL and Cranwood respectively, under which, the Company has agreed to pay an aggregate guarantee fee in an amount equivalent to 0.5% per annum of the aggregate principal amount outstanding under the Loan Facilities to CKH, HWL and Cranwood payable quarterly in advance in proportion to their respective percentage of the Guarantees given in respect of the obligations of the Company under the Loan Facilities (in the case of CKH and HWL) or the term loan facility (in the case of Cranwood), subject to the annual caps of HK$4,750,000, HK$9,500,000, HK$9,500,000 and HK$5,600,000 for the years 2009, 2010, 2011 and 2012 respectively. During the year, an aggregate of HK$3,600,000 has been paid by the Company to CKH, HWL and Cranwood.

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

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

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

(a) On 3 December 2009, LTWJi has entered into a tenancy agreement with Beijing Oriental in respect of the renewal of the lease by Beijing Oriental of Rooms 7 & 8, 5th Floor, Tower W3, Oriental Plaza to LTWJi with an area of approximately 656 square metre for a term of 3 years commencing from 15 December 2009 to 14 December 2012. The annual total amount of the rent and management fee payable by LTWJi are subject to the annual caps of RMB1,213,600, RMB1,213,600 and RMB1,055,758 for the years 2010, 2011 and 2012 respectively.

(b) On 3 December 2009, 10 subsidiaries of the Company, namely, BSCL, Beijing Redsail Netlegend Data Network Technology Company Limited, LTWJi, Beijing Lahiji Technology Development Company Limited, Startone (Beijing) Information Technology Company Limited, Beijing Huan Jian Shu Meng Network Technology Limited, Beijing Lei Ting Wan Jun Network Technology Limited, Music Time Cultural Communication (Beijing) Co., Ltd., Beijing Bo Xun Rong Tong Information Technology Company Limited and Beijing Dong Kui Lin Information Technology Limited have entered into a tenancy agreement with Beijing Oriental in respect of the renewal of the lease by Beijing Oriental of Rooms 1-12, 8th Floor, Tower W3, Oriental Plaza to the aforesaid 10 subsidiaries of the Company with a total area of approximately 3,074 square metre for a term of 3 years commencing from 15 December 2009 to 14 December 2012. The annual total amount of the rent and management fee payable by the aforesaid 10 subsidiaries of the Company are subject to the annual caps of RMB5,686,900, RMB5,686,900 and RMB4,947,256 for the years 2010, 2011 and 2012 respectively.

(c) On 3 December 2009, 16 subsidiaries of the Company, namely, TOM (China), TOM International Beijing Representative Office, Shanghai TOM Cite Consulting Limited Beijing Branch Office, CETV Beijing Representative Office, Beijing Lahiji Technology Development Limited, Beijing LingXun Interactive Science Technology and Development Company Limited, Beijing GreaTom United Technology Company Limited, Beijing TOM International Advertising Limited, Beijing Sharkwave Asia Pacific Network Company Limited, Beijing TOM Interactive Science Cultural Co., Ltd., Beijing TOM Media Marketing Limited, Shenzhen Jia Jia Television Cultural Transmission Company Limited, Yangcheng Advertising, Sharkwave Asia Pacific (Beijing) Technology Limited, Beijing Sharkwave Information Technology Company Limited and Sharkwave (Beijing) Technology Limited have entered into a tenancy agreement with Beijing Oriental in respect of the renewal of the lease by Beijing Oriental of Rooms 1-8, 9th Floor, Tower W3, Oriental Plaza to the aforesaid 16 subsidiaries of the Company with a total area of approximately 2,312 square metre for a term of 3 years commencing from 15 December 2009 to 14 December 2012. The annual total amount of the rent and management fee payable by the aforesaid 16 subsidiaries of the Company are subject to the annual caps of RMB4,277,200, RMB4,277,200 and RMB3,720,903 for the years 2010, 2011 and 2012 respectively.

(d) On 28 December 2009, Yangcheng Advertising has entered into an advertising agency agreement with YCWB to extend the media buying arrangement under the advertising agency agreement dated 10 May 2007 (as disclosed above) for a term of 3 years commencing from 1 January 2010 to 31 December 2012. The annual caps for the Advertising Payment are HK$23,000,000, HK$24,000,000 and HK$25,000,000 for the years 2010, 2011 and 2012 respectively.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in competing business

Mr. Frank John Sixt and Mrs. Chow Woo Mo Fong, Susan, the non-executive Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and directors of certain of their respective Associates (collectively referred to as "HWL Group" and "CKI Group" respectively). In addition, Mr. Frank John Sixt is also a non-executive director of CKH, Hutchison Telecommunications International Limited ("HTIL") and Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and director of certain of their Associates (collectively referred to as "CKH Group", "HTIL Group" and "HTHKH Group" respectively). Mrs. Chow Woo Mo Fong, Susan is a non-executive director and an alternate director of HTIL, a non-executive director of HTHKH and director of certain of their Associates. Mr. Ip Tak Chuen, Edmond, a non-executive Director, is the deputy managing director of CKH, the senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life"), the deputy chairman of CKI and a non-executive director of Excel Technology International Holdings Limited ("Excel Technology"). HWL Group is engaged in e-commerce, Internet and information technology services. CKH Group, CKI Group, CK Life and Excel Technology are engaged in information technology, e-commerce or new technology where applicable. HTIL Group is engaged in providing mobile telecommunications services, including voice services, multimedia services, enhanced calling features, IDD services, international roaming services and mobile Internet services. HTHKH Group operates GSM dual-band and 3G mobile telecommunications services in Hong Kong and Macau under the licensed "3" brand and provides fixed-line telecommunications services in Hong Kong under the licensed "HGC" brand. The Directors believe that there is a risk that such businesses may compete with those of the Group.

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

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

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

Pre-emptive rights

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

Subsequent events

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 43 to the accounts.

Purchase, sale or redemption of shares

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

Auditor

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

Public float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, approximately 37.84% of the issued share capital of the Company was held by the public.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 10 March 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TOM Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 134, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2010

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	4	2,435,753	2,728,033
Cost of sales	6	(1,756,267)	(1,900,208)
Selling and marketing expenses	6	(242,166)	(291,056)
Administrative expenses	6	(164,489)	(200,550)
Other operating expenses	6	(296,458)	(346,723)
Other losses	6	(4,679)	(44,243)
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	37(a)	90,879	–
Provision for impairment of goodwill and other assets	5	(6,700)	(1,249,572)
Share of losses of jointly controlled entities		(39,545)	(76,683)
Share of profits less losses of associated companies		8,186	13,247
		24,514	(1,367,755)
Finance income	7	22,005	57,379
Finance costs	7	(59,549)	(126,800)
Finance costs, net	7	(37,544)	(69,421)
Loss before taxation		(13,030)	(1,437,176)
Taxation	8	(46,177)	(37,625)
Loss for the year		(59,207)	(1,474,801)
Attributable to:			
Minority interests		1,304	(80,372)
Equity holders of the Company		(60,511)	(1,394,429)
Loss per share for loss attributable to the equity holders of the Company during the year			
Basic and diluted	11	HK(1.55) cents	HK(35.82) cents

For the year ended 31 December 2009

	2009 HK$'000	2009 HK$'000	2008 HK$'000	2008 HK$'000
Loss for the year		(59,207)		(1,474,801)
Other comprehensive income				
Exchange translation differences		23,482		293,244
Net actuarial gain/(loss) on defined benefit plans		5,830		(280)
Available-for-sale financial assets:				
Revaluation surplus during the year, net of tax	780		6,166	
Add: Reclassification adjustment for impairment included in profit or loss	–		10,843	
		780		17,009
Other comprehensive income for the year, net of tax		30,092		309,973
Total comprehensive expense for the year		(29,115)		(1,164,828)
Total comprehensive income/(expense) attributable to:				
– Minority interests		5,126		(46,533)
– Equity holders of the Company		(34,241)		(1,118,295)

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	14	152,961	202,152
Goodwill	15	2,643,106	2,634,940
Other intangible assets	16	82,368	66,897
Interests in jointly controlled entities	18	(139,751)	(87,904)
Interests in associated companies	19	222,432	231,388
Available-for-sale financial assets	21	27,682	30,147
Advance to an investee company	22	2,169	2,165
Deferred tax assets	32(a)	39,011	51,843
Other non-current assets	23	31,473	6,360
		3,061,451	3,137,988
Current assets			
Available-for-sale financial assets	21	–	392,916
Inventories	24	106,252	118,399
Trade and other receivables	25	842,316	898,428
Restricted cash	26	45,187	2,171
Cash and cash equivalents	27	1,186,178	1,328,813
		2,179,933	2,740,727
Current liabilities			
Trade and other payables	28	1,167,806	1,180,610
Taxation payable		35,925	36,840
Long-term bank loans - current portion	30	119,680	449,533
Short-term bank and other loans	29	119,800	1,509,381
		1,443,211	3,176,364
Net current assets/(liabilities)		736,722	(435,637)
Total assets less current liabilities		3,798,173	2,702,351

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Deferred tax liabilities	32(b)	14,739	14,919
Non-current portion of long-term bank loans	30	1,721,410	395,474
Pension obligations	31(a)	26,148	29,644
		1,762,297	440,037
Net assets		2,035,876	2,262,314
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	389,328	389,328
Reserves		1,275,069	1,309,310
Own shares held	36	(6,244)	(6,244)
Shareholders' funds		1,658,153	1,692,394
Minority interests		377,723	569,920
Total equity		2,035,876	2,262,314

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	1,836,148	1,800,039
Other non-current assets	23	11,501	–
		1,847,649	1,800,039
Current assets			
Amounts due from subsidiaries	17	1,683,477	1,900,869
Other receivables	25	8,638	5,135
Cash and cash equivalents	27	811	390
		1,692,926	1,906,394
Current liabilities			
Amounts due to subsidiaries	17	596,076	683,668
Other payables	28	59,962	64,332
Short-term bank loans	29	–	1,450,000
		656,038	2,198,000
Net current assets/(liabilities)		1,036,888	(291,606)
Non-current liabilities			
Long-term bank loans	30	1,440,000	–
Net assets		1,444,537	1,508,433
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	389,328	389,328
Reserves	35	1,061,453	1,125,349
Own shares held	36	(6,244)	(6,244)
Shareholders' funds		1,444,537	1,508,433

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

For the year ended 31 December 2009

	Group												
	Attributable to the equity holders of the Company												
	Share capital HK$'000	Own shares held HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total shareholders' funds HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	389,328	(6,244)	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,810,606	687,780	3,498,386
Loss for the year	–	–	–	–	–	–	–	–	–	(1,394,429)	(1,394,429)	(80,372)	(1,474,801)
Other comprehensive income:													
Revaluation surplus on available-for-sale financial assets, net of tax	–	–	–	–	–	–	5,452	–	–	–	5,452	714	6,166
Net actuarial (loss)/gain on defined benefit plan	–	–	–	–	–	–	–	–	–	(904)	(904)	624	(280)
Exchange translation differences	–	–	–	–	–	–	–	260,743	–	–	260,743	32,501	293,244
Transfer to profit and loss	–	–	–	–	–	–	10,843	–	–	–	10,843	–	10,843
Total comprehensive income for the year ended 31 December 2008	–	–	–	–	–	–	16,295	260,743	–	(1,395,333)	(1,118,295)	(46,533)	(1,164,828)
Employee share option schemes – value of employee services	–	–	–	83	–	–	–	–	–	–	83	–	83
Maturity of convertible bonds	–	–	–	–	–	–	–	–	(30,879)	30,879	–	–	–
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	(72,373)	(72,373)
Acquisition of additional interests in a subsidiary (note 37(b))	–	–	–	–	–	–	–	–	–	–	–	(2,775)	(2,775)
Disposal of a subsidiary (note 38(b))	–	–	–	–	–	–	–	–	–	–	–	(265)	(265)
Contribution from minority interests	–	–	–	–	–	–	–	–	–	–	–	4,263	4,263
Other reserves shared by minority interests	–	–	–	–	–	–	–	–	–	–	–	(177)	(177)
Transfer to general reserve	–	–	–	–	–	5,793	–	–	–	(5,793)	–	–	–
Balance at 31 December 2008	389,328	(6,244)	3,625,981	38,437	776	129,248	1,158	550,010	–	(3,036,300)	1,692,394	569,920	2,262,314

	Group											
	Attributable to the equity holders of the Company											
	Share capital HK$'000	Own shares held HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total shareholders' funds HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2009	389,328	(6,244)	3,625,981	38,437	776	129,248	1,158	550,010	(3,036,300)	1,692,394	569,920	2,262,314
Loss for the year	–	–	–	–	–	–	–	–	(60,511)	(60,511)	1,304	(59,207)
Other comprehensive income:												
Revaluation surplus/ (deficit) on available-for-sale financial assets, net of tax	–	–	–	–	–	–	1,174	–	–	1,174	(394)	780
Net actuarial gain on defined benefit plan	–	–	–	–	–	–	–	–	5,377	5,377	453	5,830
Exchange translation differences	–	–	–	–	–	–	–	19,719	–	19,719	3,763	23,482
Total comprehensive income for the year ended 31 December 2009	–	–	–	–	–	–	1,174	19,719	(55,134)	(34,241)	5,126	(29,115)
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(45,524)	(45,524)
Acquisition of additional interests in a subsidiary (note 37(a))	–	–	–	–	–	–	–	–	–	–	(151,188)	(151,188)
Disposal of subsidiaries (note 38(b))	–	–	–	–	–	–	–	–	–	–	(2,508)	(2,508)
Contribution from minority interests	–	–	–	–	–	–	–	–	–	–	1,897	1,897
Transfer to general reserve	–	–	–	–	–	4,512	–	–	(4,512)	–	–	–
Balance at 31 December 2009	389,328	(6,244)	3,625,981	38,437	776	133,760	2,332	569,729	(3,095,946)	1,658,153	377,723	2,035,876

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash inflow from operations	38(a)	202,284	310,195
Interest paid		(20,483)	(132,452)
Overseas taxation paid		(40,058)	(62,511)
Net cash from operating activities		141,743	115,232
Cash flows from investing activities			
Interest received		4,802	74,337
Capital expenditure		(141,598)	(136,519)
Proceeds from sale of fixed assets		3,171	2,035
Proceeds from sale of intangible assets		3,887	–
Settlement of consideration payable for acquisition of a subsidiary in prior years		(1,140)	–
Acquisition of additional interests in a subsidiary	37(a),37(b)	(60,309)	(3,420)
Disposal of subsidiaries/a subsidiary	38(b)	(1,960)	(809)
Proceeds from maturity/disposal of available-for-sale financial assets		394,117	1,170,012
Loans to jointly controlled entities		–	(81,901)
Proceeds from capital reduction of available-for-sale financial assets		3,493	–
Dividends received		18,071	22,340
Net cash from investing activities		222,534	1,046,075
Cash flows from financing activities			
New bank and other loans, net of financing costs	38(c)	1,776,735	379,000
Loan repayments	38(c)	(2,178,469)	(1,834,257)
Loan arrangement fee paid		(27,464)	–
Maturity of convertible bonds		–	(208,846)
Dividends paid to minority shareholders		(45,524)	(72,373)
(Increase)/reduction of restricted cash	26	(43,016)	18,005
Net cash used in financing activities		(517,738)	(1,718,471)
Decrease in cash and cash equivalents		(153,461)	(557,164)
Cash and cash equivalents at 1 January		1,328,813	1,828,396
Exchange adjustment		10,826	57,581
Cash and cash equivalents at 31 December		1,186,178	1,328,813
Cash and cash equivalents represent:			
Bank balances and cash	27	1,186,178	1,328,813

1 Principal accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The consolidated financial statements have been prepared under the historical cost convention except that, as set out in note 1(f) below, available-for-sale financial assets are stated at fair value, unless fair value cannot be reliably measured.

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

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments – Fair Value Measurements and Liquidity Risk of Financial Instruments
HKFRS 8	Operating Segments

The application of the above standards and amendments had resulted in certain changes on the disclosures on the Group's financial statements while the results and financial position were not affected.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

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

HKFRSs (Amendments) [1]	Improvements to HKFRSs 2009
HKAS 10 [1]	Events after the Reporting Period
HKAS 24 (Revised) [2]	Related Party Disclosures
HKAS 27 (Revised) [1]	Consolidated and Separate Financial Statements
HKAS 32 (Amendment) [2]	Financial Instruments: Presentation on Classification of Right Issues
HKAS 39 (Amendment) [1]	Eligible Hedged Items
HKFRS 1 (Revised) [1]	First-Time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment) [1]	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment) [1]	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised) [1]	Business Combinations
HKFRS 9 [3]	Financial Instruments
HK(IFRIC)-Int 14 (Amendments) [2]	HKAS 39 – Prepayment of a Minimum Funding Requirement and their Interaction
HK(IFRIC)-Int 17 [1]	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18 [1]	Transfers of Assets from Customers
HK(IFRIC)-Int 19 [2]	Extinguishing Financial Liabilities with Equity Instruments

(1) Effective for the Group for annual periods beginning 1 January 2010
(2) Effective for the Group for annual periods beginning 1 January 2011
(3) Effective for the Group for annual periods beginning 1 January 2013

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact to its results of operations and financial position.

1 Principal accounting policies (Continued)

(b) Consolidation

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (note 1(i)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Transactions with minority interests

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

1 Principal accounting policies (Continued)

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated statement of financial position includes the Group's share of the net assets of the jointly controlled entities and goodwill on acquisition, net of accumulated impairment losses, if any. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

(e) Associated companies

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

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated statement of financial position includes the Group's share of the net assets of the associated companies, goodwill and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(f) Financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

1 Principal accounting policies (Continued)

(f) Financial assets (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances. Investments in equity instruments that do not have a quoted market price in an active market and those fair value cannot be reliably measured, are measured at cost less impairment.

1 Principal accounting policies (Continued)

(f) Financial assets (Continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in note 1(l).

(g) Fixed assets

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

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

Properties	over the shorter of the unexpired term of land lease or estimated useful lives of 50 years
Leasehold improvements	over the shorter of the lease terms or their useful lives of 5 years
Computer equipment	20%- $33\frac{1}{3}$%
Outdoor media assets	5%- 20%
Other assets	10%- $33\frac{1}{3}$%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gain and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

1 Principal accounting policies (Continued)

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associated companies is included in interests in jointly controlled entities and interests in associated companies, respectively and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill included in intangible assets are not reversed. Gains and losses on the disposal of an entity include the carrying value of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arise.

(ii) Other intangible assets

Other intangible assets include concession rights, licence rights and royalties, publishing rights, purchased programme and film rights, software and customer base and technology know-how. Cost of other intangible assets are initially recognised and measured at fair value. Other intangible assets with definite useful lives are amortised on a straight-line basis over the respective period of the operating right.

Principal annual rates are as follows:

Concession rights	5% – $33^1/_3$%
Licence rights and royalties	28%
Publishing rights	6% – 50%
Software and customer base and technology know-how	20% – 100%

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

1 Principal accounting policies (Continued)

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Operating leases

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

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than one year overdue) are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in other operating expenses in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited against the other operating expenses in the consolidated income statement.

1 Principal accounting policies (Continued)

(m) Employee benefits

(i) Pension obligations

The Group operates a number of defined contribution and defined benefit plans and the assets of which are generally held in separate trustees administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies, taking into account of the recommendations of independent qualified actuaries.

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

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

The cost of providing pensions is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(ii) Share-based compensation

The Group operates equity-settled, share-based compensation plans under which the entity receives services from employees as consideration for equity instruments (options) of the Group. For share options granted after 7 November 2002 and not yet vested on 1 January 2005, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

No compensation cost is recognised in relation to share options granted on or before 7 November 2002, or that have already fully vested on 1 January 2005.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

In the Company's statement of financial position, investment in subsidiary is increased for the equity instruments it has granted to the subsidiaries' employees.

(iii) Termination benefits

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

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1 Principal accounting policies (Continued)

(o) Current and deferred taxation

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

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investment in subsidiaries, associated companies and jointly controlled entities except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

1 Principal accounting policies (Continued)

(q) Trade payables

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

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(s) Revenue recognition

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

Revenue from sale of services is recognised when the services are rendered.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

1 Principal accounting policies (Continued)

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expense for each income statement are translated at average exchange rates; and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at closing rate. For those acquisitions made prior to 1 January 2005, goodwill and fair value adjustments arising on the acquisition are expressed in the acquiring company's functional currency.

1 Principal accounting policies (Continued)

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the chief executive officer of the Group. The chief operating decision-maker is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

Unallocated costs represent corporate expenses, including finance costs, net and depreciation and amortisation. Segment assets consist primarily of fixed assets, other non-current assets, goodwill, available-for-sale financial assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and pension obligations and exclude current and deferred taxation and all borrowings. Capital expenditure comprises additions to fixed assets and other intangible assets.

Sales are based on the country in which the business is operated. Total assets and capital expenditure are based on the location of the assets.

(v) Cash and cash equivalents

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

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, fair value interest rate risk, price risk and currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(i) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

(ii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure the maintenance of sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and longer term.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 December 2009			
Group			
Bank borrowings and other loans, including interest payable	243,430	128,139	1,671,065
Trade and other payables	1,167,509	–	–
Company			
Bank borrowings, including interest payable	–	–	1,503,067
Other payables	59,962	–	–

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2008				
Group				
Bank borrowings and other loans, including interest payable	1,982,059	126,868	316,298	369
Trade and other payables	1,179,009	–	–	–
Company				
Bank borrowings, including interest payable	1,465,016	–	–	–
Other payables	64,052	–	–	–

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Cash flow and fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The key exposure of the Group to these risks originates from the interest-bearing borrowings and interest-bearing bank and cash deposits. Borrowings issued at variable rates and bank and cash deposit placed at variable rates expose the Group to cash flow interest-rate risk. Financial assets and borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2009, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$19,609,000 higher/lower (2008: HK$23,536,000 higher/lower on post-tax loss), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2009, if interest rates had been 100 basis points lower/higher with all other variables held constant, equity would have no change (2008: HK$1,392,000 higher/lower), mainly as a result of the maturity of fixed rate financial assets classified as available-for-sale during 2009.

At 31 December 2009, if interest rates on all interest-bearing bank and cash deposits had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$11,957,000 lower/higher (2008: HK$13,310,000 lower/higher on post-tax loss) due to higher/lower interest income earned on market interest rate.

Management of the Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

(iv) Foreign currency risk

The Group mainly operates in the Greater China region and is exposed to foreign currency exchange risk arising from various foreign currencies, primarily the Renminbi ("RMB") and New Taiwan dollar ("NT$"). Foreign exchange risk on net investments in foreign currencies is managed primarily through borrowings denominated in the relevant foreign currencies.

Since Hong Kong dollar ("HK$") is pegged to United States dollar ("US$"), management considers that there is no significant foreign currency risk between these two currencies to the Group. A sensitivity review on the foreign currency exposure of HK$/US$ against RMB and NT$ is set out below.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Foreign currency risk (Continued)

For companies with HK$ as their functional currency

At 31 December 2009, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax loss for the year would have been HK$302,000 higher/lower (2008: HK$261,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances, trade and other receivables and trade and other payables. Loss in 2009 is more sensitive to movement in currency exchange rate than that in 2008 because the amount of RMB denominated trade and other receivables held by operating companies in Hong Kong had increased.

For companies with RMB as their functional currency

At 31 December 2009, if US$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for the year would have been HK$4,626,000 higher/lower (2008: HK$11,378,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of US$ denominated cash and bank balances, other receivables, available-for-sale financial assets, trade and other payables and bank borrowings. Loss in 2009 is less sensitive to movement in currency exchange rate than that in 2008 because the securities classified as available-for-sale denominated in US$ held by the operating companies in the PRC had become fully matured in 2009.

For companies with NT$ as their functional currency

At 31 December 2009, if HK$/US$ had weakened/strengthened by 5% against NT$ with all other variables held constant, pre-tax profit for those companies for the year would have been HK$15,000 lower/higher (2008: HK$29,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of HK$/US$ denominated cash and bank balances. Profit in 2009 is less sensitive to movement in currency exchange rate than that in 2008 because the amount of HK$/US$ denominated cash and bank balances held by operating companies in Taiwan had decreased.

At 31 December 2009, if RMB had weakened/strengthened by 5% against NT$ with all other variables held constant, pre-tax profit for those companies for the year would have been HK$89,000 lower/higher (2008: no change), mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances. Profit in 2009 is more sensitive to movement in currency exchange rate than that in 2008 because the amount of RMB denominated cash and bank balances held by operating companies in Taiwan had increased.

(v) Price risk

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

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(vi) Market risks sensitivity analysis

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

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

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

(b) Capital risk management

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

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

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

2 Financial risk management (Continued)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 HK$'000	2008 HK$'000
Short-term bank and other loans (note 29)	119,800	1,509,381
Long-term bank loans (note 30)	1,841,090	845,007
Total borrowings	1,960,890	2,354,388
Total equity	2,035,876	2,262,314
Total capital	3,996,766	4,616,702
Gearing ratio	49%	51%

The decrease in the gearing ratio during 2009 resulted primarily from the net repayment of bank loans during the year.

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

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values. The fair value of long-term financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

2 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
– Equity securities	6,195	–	–	6,195
Total assets	6,195	–	–	6,195
Total liabilities	–	–	–	–

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities related to defined benefit retirement obligations and fair value of share options granted are contained in notes 31 and 34 to the financial statements, respectively. Other key sources of estimation uncertainty are as follows:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of the CGUs in the Internet Group have been determined based on the higher of fair value less costs to sell and value-in-use. The recoverable amounts of the CGUs of other segments have been determined based on value-in-use calculations. These calculations require the use of estimates (note 15).

An impairment charge of HK$6,700,000 arose in the CGUs in the Outdoor Media Group during the year (2008: HK$1,190,627,000 in the Internet Group, HK$37,164,000 in the Outdoor Media Group and HK$3,388,000 in the Television and Entertainment Group), resulting in the carrying amounts of the CGUs being written down to their recoverable amounts. For sensitivity analysis, if a 1% growth rate is reduced from the original discounted cash flow assumption under both the value in use and fair value less cost to sell calculation, the Group would have recognised a further impairment of goodwill of HK$11,000,000.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

3 Critical accounting estimates and judgments (Continued)

(iii) Provision for sales return

Turnover is stated net of sales return provision. Sales return provision is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to the customers. As at 31 December 2009, the provision for sales return of the Group amounted to HK$42,287,000 (2008: HK$44,947,000). This provision is recognised by the Group based on the best estimates by management with reference to past experience and other relevant factors. Any difference between this estimate and the actual return will impact the Group's result in the period in which the actual return is determined.

(iv) Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The amount of provision made as at 31 December 2009 was HK$103,950,000 (2008: HK$91,691,000). If the financial conditions of customers of the Group were to change, resulting in an impairment or improvement in their ability to make payments, either additional provision or reversal of previously made provision may be required.

4 Turnover, revenue and segment information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 135 to 139.

Turnover and revenues recognised during the year are as follows:

	2009 HK$'000	2008 HK$'000
Turnover		
– Provision of wireless internet services, online advertising, commercial enterprise solutions and internet access	1,062,449	1,066,690
– Magazine and book circulation, sales of publication advertising and other related products	867,315	1,011,734
– Advertising sales of outdoor media assets and provision of outdoor media services	353,447	464,722
– Advertising sales in relation to satellite television channel operations and provision of broadcasting post production and event production and marketing services	152,542	184,887
Consolidated total turnover	2,435,753	2,728,033

The Group has four reportable segments:

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

Sales between segments are carried out at arm's length.

4 Turnover, revenue and segment information (Continued)

The segment results for the year ended 31 December 2009 are as follows:

	Year ended 31 December 2009				
	Internet Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Total gross segment revenue	1,062,449	867,315	353,447	153,998	2,437,209
Inter-segment revenue	–	–	–	(1,456)	(1,456)
Net revenue from external customers	1,062,449	867,315	353,447	152,542	2,435,753
Segment profit/(loss) before amortisation and depreciation	84,952	143,357	(4,868)	(28,670)	194,771
Amortisation and depreciation	(30,492)	(69,002)	(39,148)	(21,521)	(160,163)
Segment profit/(loss)	54,460	74,355	(44,016)	(50,191)	34,608
Other material non-cash items:					
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	–	–	90,879	–	90,879
Provision for impairment of goodwill and other intangible assets	–	–	(6,700)	–	(6,700)
Share of losses of jointly controlled entities	(39,545)	–	–	–	(39,545)
Share of profits less losses of associated companies	111	8,075	–	–	8,186
	(39,434)	8,075	84,179	–	52,820
Finance costs:					
Finance income	18,638	24,411	3,992	117	47,158
Finance expenses	(2,002)	(20,002)	(959)	(17,268)	(40,231)
	16,636	4,409	3,033	(17,151)	6,927
Segment profit/(loss) before taxation	31,662	86,839	43,196	(67,342)	94,355
Unallocated corporate expenses					(107,385)
Loss before taxation					(13,030)
Expenditure for operating segment non-current assets	11,418	71,334	35,183	23,326	141,261
Unallocated expenditure for non-current assets					337
Total expenditure for non-current assets					141,598

4 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2009 are as follows:

	As at 31 December 2009				
	Internet Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Segment assets	2,866,331	1,149,257	856,106	159,181	5,030,875
Interests in jointly controlled entities	(139,751)	–	–	–	(139,751)
Interests in associated companies	2,727	219,705	–	–	222,432
Unallocated assets					127,828
Total assets					5,241,384
Segment liabilities	503,845	342,954	195,252	49,757	1,091,808
Unallocated liabilities:					
Corporate liabilities					102,146
Deferred taxation					14,739
Current taxation					35,925
Borrowings					1,960,890
Total liabilities					3,205,508

4 Turnover, revenue and segment information (Continued)

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

	Year ended 31 December 2008				
	Internet Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Total gross segment revenue	1,066,690	1,011,734	464,722	186,609	2,729,755
Inter-segment revenue	–	–	–	(1,722)	(1,722)
Net revenue from external customers	1,066,690	1,011,734	464,722	184,887	2,728,033
Segment profit/(loss) before amortisation and depreciation	121,505	171,347	(23,874)	(35,328)	233,650
Amortisation and depreciation	(58,268)	(75,420)	(51,495)	(22,403)	(207,586)
Segment profit/(loss)	63,237	95,927	(75,369)	(57,731)	26,064
Other material non-cash items:					
Provision for impairment of goodwill and other assets	(1,198,177)	–	(37,164)	(14,231)	(1,249,572)
Share of losses of jointly controlled entities	(76,683)	–	–	–	(76,683)
Share of profits less losses of associated companies	595	12,652	–	–	13,247
	(1,274,265)	12,652	(37,164)	(14,231)	(1,313,008)
Finance costs:					
Finance income	39,298	39,425	6,301	198	85,222
Finance expenses	(20,900)	(34,182)	(1,112)	(15,504)	(71,698)
	18,398	5,243	5,189	(15,306)	13,524
Segment profit/(loss) before taxation	(1,192,630)	113,822	(107,344)	(87,268)	(1,273,420)
Unallocated corporate expenses					(163,756)
Loss before taxation					(1,437,176)
Expenditure for operating segment non-current assets	15,878	66,730	37,639	12,557	132,804
Unallocated expenditure for non-current assets					3,715
Total expenditure for non-current assets					136,519

4 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2008 are as follows:

	As at 31 December 2008				
	Internet Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Segment assets	3,386,401	1,162,201	969,931	164,301	5,682,834
Interests in jointly controlled entities	(87,904)	–	–	–	(87,904)
Interests in associated companies	3,148	228,240	–	–	231,388
Unallocated assets					52,397
Total assets					5,878,715
Segment liabilities	485,517	364,067	197,274	45,850	1,092,708
Unallocated liabilities:					
Corporate liabilities					117,546
Deferred taxation					14,919
Current taxation					36,840
Borrowings					2,354,388
Total liabilities					3,616,401

The unallocated assets represent the corporate assets. The unallocated liabilities represent the corporate liabilities in addition to operating segment taxation payable, deferred tax liabilities and borrowings which are managed on a central basis.

4 Turnover, revenue and segment information (Continued)

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

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

There are no significant sales between the geographical segments.

	Turnover		Non-current assets other than deferred tax assets	
	Year ended 31 December 2009 Consolidated Total HK$'000	Year ended 31 December 2008 Consolidated Total HK$'000	**Year ended 31 December 2009 Consolidated Total HK$'000**	Year ended 31 December 2008 Consolidated Total HK$'000
Hong Kong	**15,110**	17,348	**14,695**	5,017
Mainland China	**1,576,502**	1,723,081	**2,428,626**	2,496,290
Taiwan and other Asian countries	**844,141**	987,604	**579,119**	584,838
	2,435,753	2,728,033	**3,022,440**	3,086,145

Revenue is allocated based on the country in which the sale originated and non-current assets other than deferred tax assets are allocated based on the location of the assets.

5 Provision for impairment of goodwill and other assets

The amount in the current year represented a provision for impairment of goodwill for the Outdoor Media Group of HK$6,700,000 (2008: the Internet Group of HK$1,190,627,000, the Outdoor Media Group of HK$37,164,000 and the Television and Entertainment Group of HK$3,388,000). This provision was made with reference to the reduced estimated values of the respective businesses, mainly due to the significant deterioration of the economy, as well as the tightening of certain regulations and policies in the respective industries in Mainland China. The amount in the prior year also included the provision for impairment of other intangible assets of HK$7,550,000 and available-for-sale financial assets of HK$10,843,000 and no such provision was charged in the current year.

6 Operating profit/(loss)

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

	2009 HK$'000	2008 HK$'000
Charging:		
Mobile operator and revenue sharing costs	627,840	468,746
Depreciation (note 14)	72,750	102,830
Amortisation of other intangible assets (note 16)	88,643	106,363
Amortisation of other intangible assets included in interests in associated companies (note 19)	3,986	4,896
Cost of inventories sold (note 24)	464,299	542,298
Staff costs (including directors' emoluments) (note 12)	538,089	591,414
Operating leases in respect of:		
– Land and buildings	59,436	62,042
– Other assets	143,216	193,278
Auditor's remuneration	12,814	15,515
Provision for impairment of trade receivables, net (note 25(c))	13,699	9,882
Loss on disposal of fixed assets	7,037	6,806
Loss on disposal of subsidiaries (note 38(b))	3,215	–
Loss on disposal of other intangible assets	484	13,548
Provision for inventories	25,138	18,879
Exchange loss, net	–	25,616
Crediting:		
Dividend income from available-for-sale financial assets	370	1,727
Exchange gain, net	5,687	–

7 Finance costs, net

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

	2009 HK$'000	2008 HK$'000
Interest and borrowing costs on bank loans	57,578	115,227
Interest and borrowing costs on convertible bonds	–	9,621
Interest on other loans, wholly repayable within five years	1,971	1,952
	59,549	126,800
Less: Interest income		
– available-for-sale financial assets	(4,802)	(31,920)
– bank and others	(17,203)	(25,459)
	(22,005)	(57,379)
	37,544	69,421

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 income statement represents:

	2009 HK$'000	2008 HK$'000
Overseas taxation	32,078	32,473
Under-provision in prior years	613	3,824
Deferred taxation (note 32(c))	13,486	1,328
Taxation charges	46,177	37,625

No taxation is charged or credited to share of profits less losses of associated companies for the year ended 31 December 2009 (2008: HK$Nil).

8 Taxation (Continued)

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	(13,030)	(1,437,176)
Calculated at a taxation rate of 16.5% (2008: 16.5%)	(2,150)	(237,134)
Effect of different applicable taxation rates in other countries	(5,143)	(8,450)
Income not subject to taxation	(78,835)	(11,265)
Expenses not deductible for taxation purposes	23,739	213,845
Utilisation of previously unrecognised tax losses	(7,623)	(7,136)
Recognition of previously unrecognised temporary differences	(6,218)	(6,381)
Tax losses not recognised	93,602	69,960
Results of associated companies and jointly controlled entities	5,174	10,467
Withholding tax	5,624	3,037
Temporary differences not recognised	9,475	7,801
Under-provision in prior years	613	3,824
Tax rate adjustment	7,919	(943)
Taxation charge	46,177	37,625

9 Loss attributable to equity holders of the Company

The loss of the Company is HK$63,896,000 (2008: HK$251,659,000) and is included in determining the loss attributable to the equity holders of the Company in the consolidated income statement.

10 Dividends

No dividends had been paid or declared by the Company during the year (2008: HK$Nil).

11 Loss per share

(a) Basic

The calculation of the basic loss per share is based on consolidated loss attributable to equity holders of the Company of HK$60,511,000 (2008: HK$1,394,429,000) and the weighted average of 3,893,270,558 (2008: 3,893,270,558) ordinary shares in issue during the year.

(b) Diluted

Diluted loss per share is equal to the basic loss per share for the year ended 31 December 2009 and 2008 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.

12 Staff costs, including directors' emoluments

	2009 HK$'000	2008 HK$'000
Wages and salaries	520,363	571,801
Pension costs – defined contribution plans	14,581	16,208
Pension costs – defined benefit plans (note 31(b))	3,145	3,322
Share-based compensation (note 34(b))	–	83
	538,089	591,414

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2009 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Current executive director					
Mr. Yeung Kwok Mung	50	5,000	124	338	5,512
Ms. Mak Soek Fun, Angela	50	3,500	20	225	3,795
Independent non-executive directors and members of Audit Committee					
Mr. Cheong Ying Chew, Henry	100	–	–	–	100
Ms. Wu Hung Yuk, Anna	100	–	–	–	100
Mr. James Sha	100	–	–	–	100
Non-executive directors and members of Audit Committee					
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100
Non-executive directors					
Mr. Frank John Sixt	50	–	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50
Mrs. Chow Woo Mo Fong, Susan	50	–	–	–	50
Mr. Ip Tak Chuen, Edmond	50	–	–	–	50
Total	700	8,500	144	563	9,907

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

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2008 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Current executive director					
Mr. Yeung Kwok Mung	38	4,582	50	310	4,980
Ms. Mak Soek Fun, Angela	50	3,383	–	218	3,651
Ex-executive director					
Ms. Tong Mei Kuen, Tommei	31	2,522	741	401	3,695
Independent non-executive directors and members of Audit Committee					
Mr. Cheong Ying Chew, Henry	100	–	–	–	100
Ms. Wu Hung Yuk, Anna	100	–	–	–	100
Mr. James Sha	100	–	–	–	100
Non-executive directors and members of Audit Committee					
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100
Non-executive directors					
Mr. Frank John Sixt	50	–	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50
Mrs. Chow Woo Mo Fong, Susan	50	–	–	–	50
Mr. Ip Tak Chuen, Edmond	50	–	–	–	50
Ex-non-executive director					
Mr. Wang Lei Lei	34	1,151	6,658	517	8,360
Total	753	11,638	7,449	1,446	21,286

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

(a) Directors' emoluments (Continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for the loss of office.

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the years ended 31 December 2009 and 2008.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2008: two directors and two ex-directors) whose emoluments are reflected in the analysis presented above. The emolument payable to the remaining three (2008: one) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,407	1,341
Discretionary bonuses	3,073	835
Contributions to retirement benefit schemes	142	–
	7,622	2,176

The emoluments of these three (2008: one) individuals fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	2	–

14 Fixed assets

	Group						
	Properties HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2008	14,908	58,547	462,677	195,525	85,209	4,423	821,289
Exchange adjustment	878	1,619	24,593	11,907	2,439	75	41,511
Additions	–	5,625	28,034	5,593	2,759	9,204	51,215
Transfer between categories	–	118	860	7,842	6	(8,826)	–
Disposals	–	(4,326)	(66,556)	(19,467)	(5,706)	(147)	(96,202)
Disposal of a subsidiary (note 38(b))	–	–	(315)	(6,159)	(446)	–	(6,920)
At 31 December 2008	15,786	61,583	449,293	195,241	84,261	4,729	810,893
At 1 January 2009	15,786	61,583	449,293	195,241	84,261	4,729	810,893
Exchange adjustment	144	433	3,661	1,477	422	48	6,185
Additions	–	3,934	16,065	4,902	1,326	6,606	32,833
Transfer between categories	–	19	–	7,855	–	(7,874)	–
Disposals	–	(11,007)	(47,094)	(19,378)	(9,390)	(140)	(87,009)
Disposal of subsidiaries (note 38(b))	–	(537)	(765)	–	(58)	–	(1,360)
At 31 December 2009	15,930	54,425	421,160	190,097	76,561	3,369	761,542
Accumulated depreciation and impairment losses							
At 1 January 2008	3,804	41,551	368,592	93,834	62,621	–	570,402
Exchange adjustment	241	884	20,059	5,236	1,647	–	28,067
Depreciation charge for the year	737	7,399	64,091	23,058	7,545	–	102,830
Disposals	–	(3,371)	(66,624)	(13,446)	(3,920)	–	(87,361)
Disposal of a subsidiary (note 38(b))	–	–	(259)	(4,671)	(267)	–	(5,197)
At 31 December 2008	4,782	46,463	385,859	104,011	67,626	–	608,741
At 1 January 2009	4,782	46,463	385,859	104,011	67,626	–	608,741
Exchange adjustment	47	338	3,372	719	322	–	4,798
Depreciation charge for the year	744	5,615	39,258	20,159	6,974	–	72,750
Disposals	–	(8,995)	(45,902)	(13,998)	(7,906)	–	(76,801)
Disposal of subsidiaries (note 38(b))	–	(405)	(479)	–	(23)	–	(907)
At 31 December 2009	5,573	43,016	382,108	110,891	66,993	–	608,581
Net book value							
At 31 December 2009	10,357	11,409	39,052	79,206	9,568	3,369	152,961
At 31 December 2008	11,004	15,120	63,434	91,230	16,635	4,729	202,152

14 Fixed assets (Continued)

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

	2009 HK$'000	2008 HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	10,296	10,931
Leases of between 10 to 50 years	61	73
	10,357	11,004

15 Goodwill

	Group	
	2009 HK$'000	2008 HK$'000
Net book value, at 1 January	2,634,940	3,663,060
Exchange adjustment	16,006	200,234
Additions arising from acquisition of interests in a subsidiary	–	2,825
Consideration adjustment on prior year acquisition	(1,140)	–
Provision for impairment of goodwill (note 5)	(6,700)	(1,231,179)
Net book value, at 31 December	2,643,106	2,634,940
At 31 December:		
Cost	4,504,315	4,487,502
Accumulated amortisation and impairment	(1,861,209)	(1,852,562)
Net book value	2,643,106	2,634,940

15 Goodwill (Continued)

(a) Impairment tests for goodwill

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

A segment level of the goodwill allocation is presented below.

	2009 Mainland China HK$'000	2009 Taiwan and other Asian countries HK$'000	2009 Total HK$'000	2008 Mainland China HK$'000	2008 Taiwan and other Asian countries HK$'000	2008 Total HK$'000
Internet	1,791,766	–	1,791,766	1,777,178	–	1,777,178
Publishing	116	508,957	509,073	116	508,841	508,957
Outdoor Media	272,161	–	272,161	278,699	–	278,699
Television and Entertainment	70,106	–	70,106	70,106	–	70,106
	2,134,149	508,957	2,643,106	2,126,099	508,841	2,634,940

15 Goodwill (Continued)

(a) Impairment tests for goodwill (Continued)

The recoverable amount of each CGU in the Internet Group is determined based on the higher of fair value less costs to sell and value-in-use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the cost of disposal. Value in use is the present value of the future cash flow expected to be derived from an asset or CGU. The valuation was performed by American Appraisal China Limited on 31 October 2009 and the recoverable amount determined based on the fair value less costs to sell was considered appropriate for each CGU in the Internet Group. Before arriving at the valuation, the following principal factors were considered:

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

Due to the changing environment in which the CGUs are operating, a number of assumptions have to be made in order to sufficiently support the concluded value of the CGUs. The major assumptions adopted were:

- there will be no major changes in the existing political, legal, fiscal and economic conditions and relevant governmental policies in countries in which the CGU will carry on its business;
- there will be no major changes in the current taxation law in countries in which the CGU operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- the availability of finance will not be a constraint on the future growth of the CGU's operation;
- the CGU will retain and have competent management, key personnel, and technical staff to support its ongoing operation; and
- industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

The recoverable amounts of all other CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business segments in which the CGUs operate.

15 Goodwill (Continued)

(a) Impairment tests for goodwill (Continued)

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

	Internet Group		Publishing Group			
	Wireless value added services	Other CGUs	CGUs in Mainland China	CGUs in Taiwan	Outdoor Media Group	Television and Entertainment Group
Gross margin[1]	19.4%-22.1%	7.6%-68.3%	50%	47%	17%-59%	19%-64%
Growth rate[2]	5%	5%	1%	1%	1%	1%
Discount rate[3]	16.5%	20.5%-28%	7%	7%	8%	8%
Sales multiples[4]	1.35	1.5-2.85	–	–	–	–
EBIT multiples[4]	12.5	–	–	–	–	–
EBITDA multiples[4]	9.5	–	–	–	–	–

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the five-year budget period

3 Pre-tax discount rate applied to the cash flow projections

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

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the sales, EBIT and EBITDA multiples used were derived with reference to the other comparable companies in the industry.

16 Other intangible assets

	Concession rights HK$'000	Licence rights and royalties HK$'000	Publishing rights HK$'000	Purchased programme and film rights HK$'000	Software HK$'000	Customer base and technical know-how HK$'000	Total HK$'000
Cost							
At 1 January 2008	91,045	10,164	19,355	193,547	11,011	21,812	346,934
Reclassification from current assets	–	–	75,031	–	–	–	75,031
Exchange adjustment	5,930	671	(4,550)	–	727	1,441	4,219
Additions	21,604	–	53,267	10,400	33	–	85,304
Disposal of a subsidiary (note 38(b))	(2,360)	–	–	–	–	–	(2,360)
Disposals	(20,728)	–	(57,123)	–	–	–	(77,851)
At 31 December 2008	95,491	10,835	85,980	203,947	11,771	23,253	431,277
At 1 January 2009	95,491	10,835	85,980	203,947	11,771	23,253	431,277
Exchange adjustment	959	96	1,311	–	104	206	2,676
Additions	22,134	–	59,272	22,829	–	4,530	108,765
Disposal of subsidiaries (note 38(b))	–	–	–	–	(33)	–	(33)
Disposals	(14,701)	–	(43,690)	–	–	–	(58,391)
At 31 December 2009	103,883	10,931	102,873	226,776	11,842	27,989	484,294
Accumulated amortisation							
At 1 January 2008	54,921	10,083	14,607	186,644	7,953	12,516	286,724
Reclassification from current assets	–	–	39,544	–	–	–	39,544
Exchange adjustment	(7,891)	669	(4,114)	–	530	865	(9,941)
Amortisation charge for the year	24,167	83	60,551	16,319	1,148	4,095	106,363
Provision for Impairment	–	–	–	–	2,115	5,435	7,550
Disposal of subsidiaries (note 38(b))	(1,557)	–	–	–	–	–	(1,557)
Disposals	(8,265)	–	(56,038)	–	–	–	(64,303)
At 31 December 2008	61,375	10,835	54,550	202,963	11,746	22,911	364,380
At 1 January 2009	61,375	10,835	54,550	202,963	11,746	22,911	364,380
Exchange adjustment	566	96	1,969	–	103	202	2,936
Amortisation charge for the year	14,931	–	56,317	17,389	6	–	88,643
Disposal of subsidiaries (note 38(b))	–	–	–	–	(13)	–	(13)
Disposals	(10,330)	–	(43,690)	–	–	–	(54,020)
At 31 December 2009	66,542	10,931	69,146	220,352	11,842	23,113	401,926
Net book value							
At 31 December 2009	37,341	–	33,727	6,424	–	4,876	82,368
At 31 December 2008	34,116	–	31,430	984	25	342	66,897

17 Interests in subsidiaries

	Company	
	2009 HK$'000	2008 HK$'000
Investments at cost – unlisted shares	2,259,567	2,259,567
Less: Provision for impairment	(423,419)	(459,528)
	1,836,148	1,800,039

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

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

The list of the principal subsidiaries of the Group at 31 December 2009 is set out on pages 135 to 139.

18 Interests in jointly controlled entities

	Group	
	2009 HK$'000	2008 HK$'000
Share of net liabilities – unlisted shares	(221,652)	(169,805)
Loans to jointly controlled entities	81,901	81,901
	(139,751)	(87,904)

18 Interests in jointly controlled entities (Continued)

Notes:

(a) The loans to jointly controlled entities as at 31 December 2009 are unsecured, interest bearing at US$ LIBOR plus 1.3% per annum and is repayable on the occurrence of certain clauses specified in the joint venture deed.

(b) There are no material contingent liabilities relating to the Group's interests in these jointly controlled entities and no material contingent liabilities of the entities themselves.

(c) As at 31 December 2009 and 2008, the Group had interests in the following significant jointly controlled entity:

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

Summarised financial information as below:

	2009 HK$'000	2008 HK$'000
Current assets	16,070	93,285
Non-current assets	8,828	20,922
Current liabilities	49,198	62,292
Non-current liabilities	82,625	81,901
Income	5,230	6,486
Expenses	82,628	150,019

19 Interests in associated companies

	Group 2009 HK$'000	Group 2008 HK$'000
At 1 January	231,388	233,139
Share of profits less losses	8,186	13,247
Dividend paid	(17,701)	(20,613)
Exchange adjustment	559	5,615
At 31 December	222,432	231,388
Included in the balances:		
Goodwill (note (a))		
At 1 January	136,729	134,629
Exchange adjustment	300	2,100
At 31 December	137,029	136,729
Other intangible assets (note (a))		
Cost	65,156	65,156
Accumulated amortisation	(25,608)	(21,622)
	39,548	43,534

Notes:

(a) The other intangible assets arising from the acquisition mainly comprised exclusive operation agreements, non-compete agreements and advertising customer base, which are recognised at fair value at acquisition and are amortised on a straight-line basis over 5 to 20 years.

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

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

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets HK$'000	Liabilities HK$'000	Turnover HK$'000	Net profit HK$'000	Effective interest held
2009							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	107,179	23,565	107,252	23,520	49%
2008							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	113,072	21,054	140,437	33,926	48.5%

20 Financial instruments by category

Group

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
31 December 2009			
Available-for-sale financial assets (note 21)	–	27,682	27,682
Trade and other receivables (note 25)	842,316	–	842,316
Advance to an investee company (note 22)	2,169	–	2,169
Cash and cash equivalents (note 27)	1,186,178	–	1,186,178
Restricted cash (note 26)	45,187	–	45,187
	2,075,850	27,682	2,103,532
31 December 2008			
Available-for-sale financial assets (note 21)	–	423,063	423,063
Trade and other receivables (note 25)	898,428	–	898,428
Advance to an investee company (note 22)	2,165	–	2,165
Cash and cash equivalents (note 27)	1,328,813	–	1,328,813
Restricted cash (note 26)	2,171	–	2,171
	2,231,577	423,063	2,654,640

20 Financial instruments by category (Continued)

Group (Continued)

	Other financial liabilities HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2009	
Short-term bank and other loans (note 29)	119,800
Long-term bank loans (note 30)	1,841,090
Trade and other payables (note 28)	1,167,806
	3,128,696
31 December 2008	
Short-term bank and other loans (note 29)	1,509,381
Long-term bank loans (note 30)	845,007
Trade and other payables (note 28)	1,180,610
	3,534,998

20 Financial instruments by category (Continued)

Company

	Loans and receivables	
	2009	2008
	HK$'000	HK$'000
Assets as per statement of financial position		
Cash and cash equivalents (note 27)	811	390
Other receivables (note 25)	8,638	5,135
Amounts due from subsidiaries (note 17)	1,683,477	1,900,869
	1,692,926	1,906,394

	Other financial liabilities	
	2009	2008
	HK$'000	HK$'000
Liabilities as per statement of financial position		
Short-term bank loans (note 29)	–	1,450,000
Long term bank loans (note 30)	1,440,000	–
Other payables (note 28)	59,962	64,332
Amounts due to subsidiaries (note 17)	596,076	683,668
	2,096,038	2,198,000

21 Available-for-sale financial assets

	Group	
	2009	2008
	HK$'000	HK$'000
Listed debt securities		
At 1 January	392,916	1,558,703
Exchange adjustment	1,390	(1,264)
Net (losses)/gains transferred to equity	(3,944)	9,683
Amortisation of bond premium	(235)	(4,194)
Redemption upon maturity	(390,127)	(1,170,012)
At 31 December	–	392,916
Unlisted equity securities		
At 1 January	30,147	32,713
Exchange adjustment	294	951
Net gains/(losses) transferred to equity	4,724	(3,517)
Disposals	(3,990)	–
Reduction of capital	(3,493)	–
At 31 December	27,682	30,147
	27,682	423,063
Less: non-current portion	(27,682)	(30,147)
Current portion	–	392,916

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

	Group	
	2009	2008
	HK$'000	HK$'000
Listed debt securities outside Hong Kong with fixed interest ranging from 3.250% to 4.125% and maturity dates within 2009, at fair value	–	392,916
Unlisted equity securities outside Hong Kong	27,682	30,147
	27,682	423,063

21 Available-for-sale financial assets (Continued)

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

	2009 HK$'000	2008 HK$'000
HK$	6,195	1,459
US$	–	392,916
NT$	5,605	8,974
RMB	15,882	19,714
	27,682	423,063

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

During the year, none of the available-for-sale financial assets is either past due or impaired (2008: HK$10,843,000). In 2008, the Group transferred losses of HK$10,843,000 from equity to the consolidated income statement due to impairment of an available-for-sale financial asset.

22 Advance to an investee company

	Group	
	2009 HK$'000	2008 HK$'000
Advance to an investee company	2,169	2,165

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

The advance to an investee company as at 31 December 2009 and 2008 is interest-free, unsecured and repayable on demand. The carrying amount of the advance to an investee company approximates its fair value.

23 Other non-current assets

	Group		Company	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Long-term other receivables	16,178	137	–	–
Deferred expenses	15,295	6,223	11,501	–
	31,473	6,360	11,501	–

24 Inventories

	Group	
	2009	2008
	HK$'000	HK$'000
Merchandise	9,582	13,752
Finished goods	87,775	95,813
Work in progress	8,895	8,834
	106,252	118,399

The cost of inventories recognised as an expense and included in the cost of sales amounted to HK$464,299,000 (2008: HK$542,298,000).

25 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables (note c)	553,456	578,457	–	–
Prepayments, deposits and other receivables (note d)	288,860	319,971	8,638	5,135
	842,316	898,428	8,638	5,135

(a) The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 to 90 days. The Group's turnover is determined in accordance with terms specified in the contracts governing the relevant transactions. The carrying values of trade and other receivables approximate their fair values.

25 Trade and other receivables (Continued)

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
HK$	29,564	28,672	8,638	5,135
US$	25,383	22,022	–	–
RMB	540,726	587,138	–	–
NT$	236,614	257,999	–	–
Others	10,029	2,597	–	–
	842,316	898,428	8,638	5,135

(c) As at 31 December 2009 and 2008, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Current	133,825	142,391
31-60 days	140,616	173,404
61-90 days	102,220	104,554
Over 90 days	280,745	249,799
	657,406	670,148
Less: Provision for impairment	(103,950)	(91,691)
	553,456	578,457

25 Trade and other receivables (Continued)

(c) (Continued)

	Group	
	2009 HK$'000	2008 HK$'000
Represented by:		
Receivables from related companies	1,284	2,936
Receivables from third parties	552,172	575,521
	553,456	578,457

Total trade receivables from related companies beneficially owned by substantial shareholders of the Company, HWL, CKH and Cranwood Company Limited ("Cranwood"), amounted to HK$1,079,000 (2008: HK$2,756,000). Trade receivables from minority shareholders of subsidiaries of the Group amounted to HK$205,000 (2008: HK$180,000). These are related to sales of goods and services and licence fee income as shown in note 42(a).

The Group has assessed if there is any impairment on an individual customer based on ageing analysis of trade receivables balance, historical bad debt rates, repayment patterns, customer credit worthiness and industry trend analysis. As at 31 December 2009, the amount of the provision for impairment of trade receivables was HK$103,950,000 (2008: HK$91,691,000).

As at 31 December 2009, trade receivables of HK$176,795,000 (2008: HK$158,108,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
Overdue by:		
Up to 3 months	112,658	102,022
Over 3 months	64,137	56,086
	176,795	158,108

25 Trade and other receivables (Continued)

(c) (Continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	91,691	86,859
Provision for receivable impairment (note 6)	13,699	9,882
Amount written off during the year	(2,226)	(5,744)
Disposal of a subsidiary	–	(4,132)
Exchange adjustment	786	4,826
Balance at end of the year	103,950	91,691

As at 31 December 2009 and 2008, the ageing analyses of the Group's impaired trade receivables were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Over 90 days	103,950	91,691

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

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

25 Trade and other receivables (Continued)

(d) The Group's other receivables include amounts due from jointly controlled entities, associated companies and related companies of HK$9,096,000 (2008: HK$5,902,000), HK$362,000 (2008: HK$327,000) and HK$24,919,000 (2008: HK$24,890,000) respectively. The total balances due from related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood amounted to HK$1,015,000 (2008: HK$692,000). The balances due from minority shareholders of subsidiaries of the Group amounted to HK$23,904,000 (2008: HK$24,198,000).

The balances due from jointly controlled entities, associated companies and related companies represent expenses paid on behalf of these companies and are unsecured, interest-free and repayable on demand.

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

26 Restricted cash

At 31 December 2009, restricted cash represented bank deposits and cash of the Group totalling US$5,501,000 or approximately HK$42,911,000 (2008: Nil) which were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company and NT$9,500,000 (approximately HK$2,276,000) (2008: NT$9,200,000, or approximately HK$2,171,000) which were pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

The maximum exposure to credit risk at the reporting date is HK$45,187,000 (2008: HK$2,171,000).

27 Cash and cash equivalents

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Cash on hand	2,001	4,724	–	–
Cash at bank	1,184,177	1,324,089	811	390
	1,186,178	1,328,813	811	390

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
HK$	79,493	10,625	466	13
US$	52,651	179,986	345	377
RMB	889,270	1,020,982	–	–
NT$	164,508	117,090	–	–
Others	256	130	–	–
	1,186,178	1,328,813	811	390
Maximum exposure to credit risk	1,184,177	1,324,089	811	390

28 Trade and other payables

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade payables (note b)	339,858	311,492	–	–
Other payables and accruals (note c)	827,948	869,118	59,962	64,332
	1,167,806	1,180,610	59,962	64,332

28 Trade and other payables (Continued)

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

(b) As at 31 December 2009 and 2008, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Current	84,235	86,357
31-60 days	53,733	55,425
61-90 days	26,829	45,253
Over 90 days	175,061	124,457
	339,858	311,492

	Group	
	2009	2008
	HK$'000	HK$'000
Represented by:		
Payable to related companies	22,934	18,195
Payable to third parties	316,924	293,297
	339,858	311,492

Total trade payables to related companies beneficially owned by HWL amounted to HK$2,237,000 (2008: HK$3,263,000). The balances due to minority shareholders of subsidiaries of the Group amounted to HK$20,697,000 (2008: HK$14,932,000). These are related to purchases of goods and services as shown in note 42(b).

(c) The Group's other payables include amounts due to a jointly controlled entity and related companies of HK$1,946,000 (2008: HK$14,411,000) and HK$45,223,000 (2008: HK$40,515,000) respectively. The total balance due to related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood, amounted to HK$34,018,000 (2008: HK$32,818,000). The balance due to minority shareholders of subsidiaries of the Group amounted to HK$11,205,000 (2008: HK$7,697,000).

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

28 Trade and other payables (Continued)

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
HK$	85,235	107,989	13,222	18,002
US$	11,773	10,981	–	–
RMB	701,309	713,099	46,740	46,330
NT$	306,010	323,833	–	–
Others	63,479	24,708	–	–
	1,167,806	1,180,610	59,962	64,332

29 Short-term bank and other loans

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Bank and other loans (note a)				
Secured	–	–	–	–
Unsecured	119,800	1,509,381	–	1,450,000
	119,800	1,509,381	–	1,450,000
The bank and other loans are denominated in the following currencies:				
HK$	–	1,450,000	–	1,450,000
RMB	–	381	–	–
NT$	119,800	59,000	–	–
	119,800	1,509,381	–	1,450,000

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

30 Long-term bank loans

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Secured (note 39)	–	354,363	–	–
Unsecured	1,841,090	490,644	1,440,000	–
	1,841,090	845,007	1,440,000	–
Less: current portion of long-term bank loans	(119,680)	(449,533)	–	–
	1,721,410	395,474	1,440,000	–
The bank loans are repayable as follows:				
Within one year	119,680	449,533	–	–
In the second year	122,915	117,924	–	–
In the third to fifth year	1,598,495	277,308	1,440,000	–
Wholly repayable within 5 years	1,841,090	844,765	1,440,000	–
After the fifth year	–	242	–	–
	1,841,090	845,007	1,440,000	–

	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
The bank loans are denominated in the following currencies:				
US$	–	353,911	–	–
HK$	1,440,000	–	1,440,000	–
NT$	401,090	490,644	–	–
Malaysian Ringgit ("MYR")	–	452	–	–
	1,841,090	845,007	1,440,000	–

These long-term bank loans are interest bearing at prevailing market rates ranging from HIBOR+2.1% to primary CP rate+1.2% per annum. Their carrying amounts approximate their fair values.

31 Pension assets and obligations

The Group operates certain defined benefit pension plans in Hong Kong and Taiwan. These pension plans are either final salary defined benefit plans or with minimum guaranteed return rate on plan assets. The assets of the funded plans are generally held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in Hong Kong and Taiwan are valued by Watson Wyatt and KPMG Advisory Services Company Limited respectively.

(a) The pension assets/obligations recognised in the consolidated statement of financial position are determined as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Present value of funded obligations (note c)	56,973	58,170
Fair value of plan assets (note d)	(30,889)	(28,668)
Unrecognised prior service cost	64	142
Recognised in the consolidated statement of financial position	26,148	29,644
Represented by:		
Pension assets	–	–
Pension obligations	26,148	29,644
	26,148	29,644

	2009 HK$'000	2008 HK$'000
Actuarial gains/(losses) recognised in the Consolidated Statement of Comprehensive Income ("SOCI") in the year (before tax)	5,830	(280)
Cumulative actuarial gains/(losses) recognised in the SOCI (before tax)	4,812	(1,018)

31 Pension assets and obligations (Continued)

(b) The amounts recognised in the consolidated income statement are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Current service cost	2,947	3,439
Interest cost	1,494	1,690
Expected return on plan assets	(1,215)	(1,665)
Others	(81)	(142)
Total, included in staff costs (note 12)	3,145	3,322

The actual return on plan assets was a gain of HK$2,188,000 (2008: loss of HK$2,481,000).

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

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	58,170	60,358
Exchange adjustment	725	(858)
Service cost	2,947	3,439
Interest cost	1,494	1,690
Actuarial (gain)/loss	(4,857)	(3,866)
Others	(1,506)	(2,593)
At 31 December (note a)	56,973	58,170

31 Pension assets and obligations (Continued)

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	28,668	31,616
Exchange adjustment	311	(315)
Expected return on plan assets	1,215	1,665
Actuarial gain/(loss)	973	(4,146)
Contribution by employer	1,080	1,590
Others	(1,358)	(1,742)
At 31 December (note a)	30,889	28,668

The estimated contribution by the Group for the year 2010 will be amounted to HK$2,200,000.

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

	Group	
	2009	2008
Cash/Treasury	76%	78%
Equities	18%	15%
Bonds	6%	7%

The principal actuarial assumptions used are as follows:

	Group	
	2009	2008
Discount rate	2.25% – 2.30%	1.6% – 2.75%
Expected rate of return on plan assets	2.25% – 7.0%	2.75% – 7.0%
Expected rate of future salary increases	1.5% – 3.0%	3.0%

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

31 Pension assets and obligations (Continued)

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

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Present value of defined benefit obligation	(56,973)	(58,170)	(60,358)	(55,021)	(43,843)
Fair value of plan assets	30,889	28,668	31,616	27,230	24,730
Deficit	(26,084)	(29,502)	(28,742)	(27,791)	(19,113)
Experience adjustments on plan liabilities	3,804	5,423	(1,075)	(6,423)	5,394
Experience adjustments on plan assets	973	(4,559)	2,464	581	28

32 Deferred taxation

(a) Deferred tax assets

	Group	
	2009 HK$'000	2008 HK$'000
At 1 January	51,843	54,099
Exchange adjustment	1,032	(578)
Charged to consolidated income statement (note c)	(13,864)	(1,678)
At 31 December	39,011	51,843
Amount to be recovered after more than one year	7,872	11,724

32 Deferred taxation (Continued)

(b) Deferred tax liabilities

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	14,919	14,632
Exchange adjustment	198	637
Credited to consolidated income statement (note c)	(378)	(350)
At 31 December	14,739	14,919
Amount to be payable after more than one year	14,739	14,919

(c) Deferred taxation charged to consolidated income statement

	Group	
	2009	2008
	HK$'000	HK$'000
Deferred tax assets (note a)	(13,864)	(1,678)
Deferred tax liabilities (note b)	378	350
Deferred taxation charged to consolidated income statement (note 8)	(13,486)	(1,328)

32 Deferred taxation (Continued)

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

Deferred tax assets

	Group							
	Tax losses		Provisions		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At 1 January	–	2,883	40,119	42,918	11,724	8,803	51,843	54,604
Exchange adjustment	–	(471)	326	(1,288)	706	676	1,032	(1,083)
(Charged)/credited to consolidated income statement	–	(2,412)	(9,306)	(1,511)	(4,558)	2,245	(13,864)	(1,678)
At 31 December	–	–	31,139	40,119	7,872	11,724	39,011	51,843

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses as at 31 December 2009 of HK$4,028,868,000 (2008: HK$3,582,839,000) that can be carried forward against future taxable income. Losses amounting to HK$352,420,000 will be expired from 2010 to 2019, and HK$3,676,448,000 has no expiry terms.

Deferred tax liabilities

	Group					
	Accelerated tax Depreciation		Others		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At 1 January	227	227	14,692	14,910	14,919	15,137
Exchange adjustment	70	–	128	132	198	132
Credited to consolidated income statement	(176)	–	(202)	(350)	(378)	(350)
At 31 December	121	227	14,618	14,692	14,739	14,919

32 Deferred taxation (Continued)

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

	2009 HK$'000	2008 HK$'000
Deferred tax assets	39,011	51,843
Deferred tax liabilities	(14,739)	(14,919)
	24,272	36,924

33 Share capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2009 and 2008	5,000,000,000	500,000

Company – Issued and fully paid

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2009 and 2008	3,893,270,558	389,328

34 Share option schemes

(a) Details of share options granted by the Company

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, the Pre-IPO Share Option Plan and the Old Option Scheme were adopted by the Company.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 July 2004, the Company adopted the New Option Scheme and terminated the Old Option Scheme due to the withdrawal of the listing of the shares of the Company on GEM and commencement of dealings of the shares of the Company on the Main Board. The adoption of the New Option Scheme and the termination of the Old Option Scheme took effect from 4 August 2004 (listing date of the shares of the Company on the Main Board).

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employee of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares of the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on the GEM of the Stock Exchange on 1 March 2000. The exercise price per share under the Pre-IPO Share Option Plan is HK$1.78 and the options vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 2002 and 2003, respectively.

Pursuant to the Old Option Scheme and the New Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up options to subscribe for shares in the Company. The options granted under the Old Option Scheme can be exercised at prices ranging from HK$2.505 to HK$11.3 per share at any time within the option period of ten years from the respective dates of grant, provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period unless they are cancelled. No option has been granted pursuant to the New Option Scheme since its adoption.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company shall not exceed 388,941,336 shares, being approximately 10% of the issued share capital of the Company at the date of approval of the New Option Scheme.

34 Share option schemes (Continued)

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

Movements in share options are as follows:

Pre-IPO Share Option Plan	2009 Weighted average exercise price HK$	2009 Number of share options	2008 Weighted average exercise price HK$	2008 Number of share options
Outstanding at 1 January	1.78	7,116,000	1.78	16,196,000
Lapsed	–	–	1.78	(9,080,000)
Outstanding at 31 December	1.78	7,116,000	1.78	7,116,000
Exercisable at 31 December	1.78	7,116,000	1.78	7,116,000

Old Option Scheme	2009 Weighted average exercise price HK$	2009 Number of share options	2008 Weighted average exercise price HK$	2008 Number of share options
Outstanding at 1 January	3.74	56,028,000	3.62	65,362,000
Cancelled	2.72	(28,600,000)	2.90	(9,334,000)
Outstanding at 31 December	4.80	27,428,000	3.74	56,028,000
Exercisable at 31 December	4.80	27,428,000	3.74	56,028,000

Terms of the share options outstanding at 31 December 2009 are:

Expiry date	Exercise price	2009	2008
10 February – 14 November 2010	HK$1.78 – HK$11.30	27,186,000	28,932,000
8 October 2013	HK$2.505	7,358,000	34,212,000
		34,544,000	63,144,000
Weighted average remaining contractual life (year)		1.28	3.32

34 Share option schemes (Continued)

(b) Valuation of share options

Pursuant to the transitional provision of HKFRS 2, the fair value of services received from employees in return for share options granted after 7 November 2002 and not yet vested on 1 January 2005 are measured by reference to the fair value of share options granted. The amount is to be expensed in the consolidated income statement over the vesting period of the share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Key assumptions at the dates of grant are as follow:

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

The expected volatility is based on the historical volatility. The expected option life used has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The total share based compensation costs recognised during the year amounted to HK$Nil (2008: HK$83,000) (note 12).

35 Reserves

	Company					
	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	4,100,475	38,600	23,565	776	(2,786,491)	1,376,925
Employee share option schemes						
– value of employee services	–	83	–	–	–	83
Loss for the year	–	–	–	–	(251,659)	(251,659)
At 31 December 2008	4,100,475	38,683	23,565	776	(3,038,150)	1,125,349
At 1 January 2009	4,100,475	38,683	23,565	776	(3,038,150)	1,125,349
Loss for the year	–	–	–	–	(63,896)	(63,896)
At 31 December 2009	4,100,475	38,683	23,565	776	(3,102,046)	1,061,453

Note:

The Company's reserves available for distribution calculated under Companies Law of the Cayman Islands comprise the share premium account and contributed surplus, less accumulated losses totalling HK$1,021,994,000 (2008: HK$1,085,890,000).

36 Own shares held

	No. of shares	HK$'000
At 1 January 2008 and 31 December 2008	3,043,771	6,244
At 1 January 2009 and 31 December 2009	3,043,771	6,244

37 Transaction with minority interests

(a) Acquisition of additional interests in TOM Outdoor Media Group Limited ("TOM OMG") in 2009

On 27 May 2009, the Group, through a wholly owned subsidiary, TOM Outdoor Media Holdings Limited, acquired an additional 35% equity interests in TOM OMG for a consideration of HK$60,000,000 from the minority shareholder. The acquisition from the minority shareholder could enable the Group to have full control over the outdoor business and facilitate the synergy of OMG with TOM's other businesses. As a result of the acquisition, the Group's interests in TOM OMG increased from 65% to 100%.

The allocation of the cost of consideration is as follows:

	HK$'000
Minority interests acquired	151,188
Excess of net assets value acquired over consideration paid	(90,879)
	60,309
Satisfied by:	
Cash	60,000
Direct costs incurred	309
	60,309

The excess of net assets value acquired over consideration paid amounting to HK$90,879,000 was recognised in the consolidated income statement and is attributable to Outdoor Media Group segment.

(b) Acquisition of additional interests in Beijing Huan Jian Shu Meng Network Technology Limited ("HJSM") in 2008

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

The allocation of the consideration is as follows:

	HK$'000
Minority interests acquired	2,775
Goodwill (note 15)	2,825
	5,600
Satisfied by:	
Cash	3,420
Payables and direct costs incurred	2,180
	5,600

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

38 Notes to the consolidated statement of cash flows

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

	2009 HK$'000	2008 HK$'000
Loss before taxation	(13,030)	(1,437,176)
Interest expenses	59,549	126,800
Interest income	(22,005)	(57,379)
Amortisation and depreciation	161,393	209,193
Dividend income on available-for-sale financial assets	(370)	(1,727)
Share of losses of jointly controlled entities	39,545	76,683
Share of profits less losses of associated companies	(8,186)	(13,247)
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	(90,879)	–
Provision for impairment of goodwill and other assets	6,700	1,249,572
Provision for impairment of trade receivables	13,699	9,882
Provision for inventories	25,138	18,879
Loss on disposal of fixed assets	7,037	6,806
Loss on disposal of other intangible assets	484	13,548
Share-based compensation	–	83
Loss on disposal of subsidiaries/a subsidiary (note b)	3,215	–
Adjusted operating profit before working capital changes	182,290	201,917
(Increase)/decrease in long-term other receivables	(16,041)	2,624
Decrease in pension assets	–	2,270
Increase in inventories	(12,992)	(10,354)
Decrease in trade and other receivables	27,829	40,166
Increase in trade and other payables	13,792	58,535
Increase/(decrease) in pension obligations	2,334	(1,938)
Exchange adjustments	5,072	16,975
Net cash inflow from operations	202,284	310,195

38 Notes to the consolidated statement of cash flows (Continued)

(b) Disposal of subsidiaries/a subsidiary

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Fixed assets (note 14)	453	1,723
Other intangibles assets (note 16)	20	803
Trade and other receivables	10,514	3,669
Bank balances and cash	2,007	809
Trade and other payables	(6,094)	(6,705)
Taxation payable	–	(34)
Minority interests	(2,508)	(265)
	4,392	–
Loss on disposal of subsidiaries/a subsidiary (note a)	(3,215)	–
	1,177	–
Satisfied by:		
Consideration receivable	1,130	–
Cash	47	–
	1,177	–
Analysis of the net cash outflow in respect of the disposal of subsidiaries/a subsidiary:		
Cash consideration	47	–
Bank balances and cash disposed of	(2,007)	(809)
Net cash outflow in respect of disposal of subsidiaries/ a subsidiary	(1,960)	(809)

38 Notes to the consolidated statement of cash flows (Continued)

(c) Analysis of changes in financing during the year

	Bank and other loans HK$'000	Convertible bonds HK$'000	Total HK$'000
At 1 January 2008	3,819,932	200,138	4,020,070
New bank and other loans	379,000	–	379,000
Loan repayments	(1,834,257)	–	(1,834,257)
Maturity of convertible bonds	–	(208,846)	(208,846)
Net cash used	(1,455,257)	(208,846)	(1,664,103)
Interest expenses for the year, net of interest payment	–	8,708	8,708
Exchange adjustment	(10,287)	–	(10,287)
	(10,287)	8,708	(1,579)
At 31 December 2008	2,354,388	–	2,354,388
At 1 January 2009	2,354,388	–	2,354,388
New bank and other loans	1,776,735	–	1,776,735
Loan repayments	(2,178,469)	–	(2,178,469)
Net cash used	(401,734)	–	(401,734)
Exchange adjustment	8,236	–	8,236
At 31 December 2009	1,960,890	–	1,960,890

39 Pledge of assets

Save as disclosed in note 26, the Group has no pledge of assets as at 31 December 2009. As at prior year end, available-for-sale financial assets with a total market value of approximately HK$392,916,000 were pledged to banks for securing bank loans totalling HK$353,911,000 and properties with a total net book value of HK$796,000 were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

40 Contingent liabilities

(a) In September 2008 and August 2009, a subsidiary of the Group in Taiwan received a revised income tax assessment for the year ended 31 December 2004 and 2005, respectively, from the local tax authority. In these revised tax assessments, the tax authority claimed that an amortisation of intangible assets amounting to approximately NT$44 million (approximately HK$10 million) and NT$146 million (approximately HK$35 million) was not deductible from the assessable profits of the subsidiary in 2004 and 2005 respectively. This gave rise to a potential additional income tax liability to the Group of approximately NT$48 million (approximately HK$11 million).

The subsidiary has engaged and consulted with an external tax representative on this matter. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Accordingly, the subsidiary has filed appeals to the tax authority and requested for a re-examination of the deductibility of the amortisation charge from the assessable profit of the subsidiary in 2004 and 2005. Up to the date of these financial statements, the appeals are still outstanding and no results have been finalised.

Should the tax appeal by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2006 to 2009 would also be revised on a similar basis as that of years 2004 and 2005. The total incremental tax liability to the Group thereon is approximately NT$205 million (approximately HK$49 million) (2008: NT$155 million, approximately HK$37 million). Nevertheless, based on the consultation with the tax representative, management considers that the amortisation charge should be tax deductible under the tax rules in Taiwan and so no provision for such potential tax liability has been made in the Group's consolidated financial statements for the year ended 31 December 2009.

(b) In April 2004, a subsidiary of the Group (the "Subsidiary") entered into a lease agreement ("Lease Agreement") with two business partners (the "JV Partners") for leasing of certain media assets from them. Later in October 2005, the Subsidiary also entered into a Cooperative Framework Agreement ("Cooperative Agreement") with the JV Partners to set up a joint venture together for operating the media assets under the Lease Agreement. The joint venture was then established in August 2006.

In August 2008, the JV Partners filed a claim against the Subsidiary before Pudong New Area People's Court of Shanghai Municipality for certain rental charges and related penalty under the Lease Agreement (the "Litigation Case"). At the same time, the Subsidiary also filed an arbitration case before China International Economic and Trade Arbitration Commission, Shanghai Commission (the "Arbitration Commission"), claiming that the JV Partners had violated certain clauses in the Cooperative Agreement, and demand the JV Partners to act in accordance with the Cooperative Agreement (the "Arbitration Case").

40 Contingent liabilities (Continued)

(b) (Continued)

In November 2009, a judgment of the Litigation Case was issued in favor of the JV Partners and under which the Subsidiary was liable for a rental payment of RMB17 million (approximately HK$19 million) and a penalty interest of RMB11 million (approximately HK$13 million). Nevertheless, in January 2010, the Arbitration Commission issued a judgment on the Arbitration Case. In this judgment, the Arbitration Commission agreed that the JV Partners had violated certain clauses of the Cooperative Agreement. However, due to certain external factors, it is not possible to demand the JV partners to act according to the Cooperative Agreement at the present date. Instead, the Arbitration Commission suggested that the Subsidiary should file another case to claim for damages from the JV Partners due to their violation of the Cooperative Agreement.

Basing on the judgment of the Arbitration Case and corresponding legal advices, the Subsidiary is in the process of preparing appeals against the Litigation Case and filing a second arbitration. Any liabilities of the Subsidiary under the Litigation Case will also be included as a claim from the JV Partners by the Subsidiary under the second arbitration.

41 Commitments

(a) Capital commitments

Save as disclosed in note (b) below, the Group's maximum capital commitments as at 31 December 2009 are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Acquisition of/loans to new investments		
– Contracted but not provided for	215,305	213,416
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	155,910	110,837
	371,215	324,253

41 Commitments (Continued)

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

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

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

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

As at 31 December 2009, shareholder's loan of US$10,500,000 (approximately HK$81,901,000) from TOMO has been advanced to the Joint Venture. Therefore, the outstanding commitment of the Group in respect of the Joint Venture totalled US$14,500,000 (approximately HK$113,100,000) as at 31 December 2009 (2008: HK$113,100,000).

(c) Commitments under operating leases

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2009		2008	
	Land and buildings HK$'000	Other assets HK$'000	Land and buildings HK$'000	Other assets HK$'000
No later than one year	51,076	60,150	44,307	97,667
Later than one year and no later than five years	51,735	89,083	9,025	173,455
Later than five years	133	5,941	185	7,845
	102,944	155,174	53,517	278,967

42 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 25 and 28 to the financial statements, is set out below:

(a) Sales of goods and services and licence income

	Group	
	2009 HK$'000	2008 HK$'000
Sales to		
– HWL and its subsidiaries	24,973	23,854
– Minority shareholders of subsidiaries and their subsidiaries	11,530	5,413

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

Year-end balances due from these related companies arising from sales of goods and services and licence income are shown in note 25(c).

(b) Purchase of goods and services

	Group	
	2009 HK$'000	2008 HK$'000
Purchase of services payable to		
– minority shareholders of subsidiaries and their subsidiaries	21,576	19,485
Rental payable to		
– an associated company of CKH	8,985	10,382
– a subsidiary of CKH	8,518	9,372
– minority shareholders of subsidiaries and their subsidiaries	1,655	1,404
Service fees payable to		
– HWL and its subsidiaries	3,234	11,611
– minority shareholders of subsidiaries and their subsidiaries	1,723	–
Interest expenses payable to minority shareholders of subsidiaries and their subsidiaries	1,897	1,897

42 Related party transactions (Continued)

(b) Purchase of goods and services (Continued)

In July 2009, three substantial shareholders of the Company granted guarantees to the Company for loan facilities amounting to HK$1,900 million and guarantee fees were charged by these substantial shareholders. During the year, HK$3,600,000 was paid by the Company.

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

Year-end balances due to these related companies arising from purchase of goods and services are shown in notes 28(b) and 28(c).

(c) Key management compensation

Management considers remuneration to all key management of the Group has already been disclosed in note 13.

43 Subsequent events

Other than the development of the lawsuits as disclosed in note 40(b), there are no other subsequent events after the end of reporting period which have material impacts to the consolidated financial statements.

44 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2008 and 2009, or on the Group's loss for the years ended 31 December 2008 and 2009.

45 Approval of financial statements

The financial statements were approved by the board of directors on 10 March 2010.

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	tom.com enterprises Limited	British Virgin Islands ("BVI"), limited liability company	Holding of the domain name of www.tom.com	1 ordinary share of US$1	100%
	TOM Group International Limited	Hong Kong, limited liability company	Operation of tom.com portal and management of strategic investments of the Group in Greater China	10 ordinary shares of HK$1 each	100%
	Internet Group				
	Advanced Internet Services Limited	Hong Kong, limited liability company	Investment holding in Mainland China	10,000,000 ordinary shares of US$0.01 each	90.002%
	Beijing GreaTom United Technology Company Limited	Mainland China, limited liability company	Development of operating platform for broadband Internet value-added services in Mainland China	Registered capital RMB25,000,000	81%
	Beijing Huan Jian Shu Meng Network Technology Limited	Mainland China, limited liability company	Provision of internet content services	Registered capital RMB1,000,000	90.002%
@	Beijing Lei Ting Wan Jun Network Technology Limited	Mainland China, limited liability company	Provision of Internet content services, online advertising services and telecom value-added services in Mainland China	Registered capital RMB100,000,000	90.002%
@	Beijing LingXun Interactive Science Technology and Development Company Limited	Mainland China, limited liability company	Provision of wireless internet services in Mainland China	Registered capital RMB10,000,000	90.002%
@	Beijing Lei Ting Wu Ji Network Technology Company Limited	Mainland China, limited liability company	Provision of wireless IVR services in Mainland China	Registered capital RMB10,000,000	90.002%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Internet Group (Continued)				
@	Beijing Redsail Netlegend Data Network Technology Company Limited	Mainland China, limited liability company	Provision of interactive call center services in Mainland China	Registered capital RMB62,800,000	90.002%
@	Beijing Sharkwave Asia Pacific Network Company Limited	Mainland China, limited liability company	Provision of online advertising services in Mainland China	Registered capital RMB10,000,000	90.002%
	Beijing Super Channel Network Limited	Mainland China, limited liability company	Development of software information system, computer network and website products in Mainland China	Registered capital US$13,000,000	90.002%
	Eclink Electronic Network Systems (Shenzhen) Company Limited	Mainland China, limited liability company	Software, electronics and computer network system development in Mainland China	Registered capital US$3,000,000	100%
	Shanghai TOM Shopping Information Technology Company Limited	Mainland China, limited liability company	Operation of a mobile and Internet-based marketplace in Mainland China	Registered capital RMB2,000,000	90.002%
@	Shenzhen Freenet Information Technology Company Limited	Mainland China, limited liability company	Operation of 163.net and e-mail service provider in Mainland China	Registered capital RMB23,000,000	90.002%
@	Startone (Beijing) Information Technology Company Limited	Mainland China, limited liability company	Provision of wireless Internet services in Mainland China	Registered capital RMB10,000,000	90.002%
	Sharkwave Asia Pacific Limited	Hong Kong, limited liability company	Provision of online NBA programmes in Mainland China, Hong Kong and Taiwan	2 ordinary shares of HK$1 each	90.002%
	TOM.COM (China) Investment Limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered capital US$30,000,000	90.002%
[1]	TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	Operation of a mobile and Internet-based marketplace in Mainland China	100 ordinary shares of US$ 1 each	45.9%
	TOM Online Inc.	Cayman Islands, limited liability company	Investment holding in Mainland China	4,259,654,528 ordinary shares of HK$0.01 each	90.002%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Outdoor Media Group				
@	Beijing TOM International Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	100%
@	Changchun TOM New Star Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	60%
@	Chongqing TOM Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB6,000,000	51%
@	Fujian TOM Seeout Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	70%
@	Guangzhou TOM Advertising Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	100%
@	Henan New Tianming Advertising & Information Chuanbo Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB6,000,000	50%
@	Kunming TOM-Fench Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Kunming Fench Star Information Industry Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Liaoning New Star Guangming Media Assets Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB10,000,000	60%
@	Shandong TOM Longjun Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	60%
	Shanghai TOM Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Shenyang TOM Sano Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	60%
	Shenzhen TOM Ray Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	51%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Outdoor Media Group (Continued)				
@	Sichuan TOM Southwest Outdoor Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	70%
@	Xiamen TOM Bomei Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB2,500,000	60%
	Publishing Group				
	廣州城邦文化傳播有限公司	Mainland China, limited liability company	Provision of consulting services relating to publishing, distribution, marketing of books and system integration in Mainland China	Registered capital HK$1,000,000	82.55%
	Bookworm Club Co., Ltd	Taiwan, limited liability company	Distribution and retailing of books and magazines in Taiwan	100,000 ordinary shares of NT$10 each	82.53%
	Cup Magazine Publishing Limited	Hong Kong, limited liability company	Publishing of magazines in Hong Kong	2 ordinary shares of HK$1 each	100%
#	China Popular Computer Week Management Company Limited	Mainland China, limited liability company	Advertising sales and distribution of publication products in Mainland China	Registered capital RMB30,000,000	49%
	Cité Publishing Holding Limited	BVI, limited liability company	Investment holding in Taiwan	4,999,563 ordinary shares of US$0.01 each	82.55%
	Cité Publishing Limited	Taiwan, limited liability company	Publishing of books in Taiwan	28,171,506 ordinary shares of NT$10 each	82.53%
	Home Media Group Limited	Cayman Islands, limited liability company	Advertising sales and distribution of publications	986,922,602 ordinary shares of US$0.00001 each	82.53%
	Nong Nong Magazine Company Limited	Taiwan, limited liability company	Publishing of magazines in Taiwan	2,500,000 ordinary shares of NT$10 each	66.02%
	Shanghai TOM Cite Consulting Limited	Mainland China, limited liability company	Publication products design, promotion and information consultancy services in Mainland China	Registered capital US$200,000	100%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Television and Entertainment Group				
@	廣東羊城廣告有限公司	Mainland China, limited liability company	Advertising, corporate image design and sale of products in Mainland China	Registered capital RMB5,000,000	80%
	China Entertainment Television Broadcast Limited	Hong Kong, limited liability company	Operation of satellite television channels and provision of content and television programmes to various platforms including satellite television and syndication network	38,994 ordinary shares of HK$0.3 each	72.36%
@	Shenzhen Jia Jia Television Cultural Transmission Company Limited	Mainland China, limited liability company	Television programmes production and related services and advertising	Registered capital RMB$3,000,000	100%
	YCP Advertising Limited	Hong Kong, limited liability company	Advertising, event management and media buying business in Mainland China and Hong Kong	10 ordinary shares of HK$1 each	80%

1 Jointly controlled entity
Associated company
@ The equity interest is held by individual nominees on behalf of the Group

The above table lists the principal subsidiaries, jointly controlled entities and associated companies of the Group at 31 December 2009 which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries, jointly controlled entities and associated companies would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

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

TOM Group Limited

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

Telephone: (852) 2121 7838
Fax : (852) 2186 7711

www.tomgroup.com