ANNUAL REPORT

TOM Group Limited

Incorporated in the Cayman Islands with limited liability

Stock Code:2383

tom®

2011

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CORPORATE INFORMATION

Board of Directors
Chairman
Frank John Sixt

Executive Directors
Yeung Kwok Mung
Mak Soek Fun, Angela

Non-executive Directors
Chang Pui Vee, Debbie
Ip Tak Chuen, Edmond
Lee Pui Ling, Angelina

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

Alternate Directors
Chow Woo Mo Fong, Susan
(Alternate to Frank John Sixt)
Francis Anthony Meehan
(Alternate to each of Frank John Sixt, Chang Pui Vee, Debbie 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
Cheong Ying Chew, Henry
(Committee Chairman)
Frank John Sixt
Chow Woo Mo Fong, Susan
(Alternate to Frank John Sixt)
Wu Hung Yuk, Anna

Authorised Representatives
Yeung Kwok Mung
Mak Soek Fun, Angela

Auditor
PricewaterhouseCoopers

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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 (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 E-commerce, Internet, Publishing, Television & Entertainment, Outdoor Media 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.

E-Commerce

Ule (www.ule.com.cn) is a localised e-commerce platform jointly launched by TOM Group and China Post. It offers wide selection of quality and authentic products including home goods, food and supplements, personal care, infant and mother care, fashion and electronic goods etc.

Besides ordering via website and mobile applications, phone-order service hotline and sales services over 50,000 post offices nationwide are also in place. Not only online shoppers but also the population who do not shop online can enjoy a seamless, guaranteed and convenient shopping experience.

The virtual distribution centre developed by Ule supports delivery of products from both warehouses and retail shops. The combination of China Post's nationwide EMS logistics and warehousing capabilities and sales network, with TOM Group's technological support and expertise, enables Ule to offer unique sales, logistics and warehousing services online and offline. Ule is well-positioned to become a scalable and trustworthy 360-degree shopping platform.

Internet

With a strong commitment to innovation and technology, TOM Group develops cloud-based cross-platform services over various devices. It serves its users via the development and introduction of diversified mobile Internet applications and services, connecting every aspect of our customers' lives, online, offline and mobile.

TOM offers a series of popular game and music applications for mobile clients, as well as e-reading platform "Huanjianshumeng" (hjsm.tom.com), which enables users access a wide collection of original fictions and literary works over iPhone and iPad applications. The TOM portal (www.tom.com) serves as a tool- and user-centric media channel for mobile Internet users. TOM-Skype, a leading online communications application developed for the Mainland market, offers localised services to its user base of nearly 96 million.

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 and first-mover in digital publishing and reading. By investing in technological research and development, Cité is capable to simultaneously offer printed and digital copies of books and magazines. It reaches readers via diversified channels such as publishers' websites, social networking websites as well as e-reading devices and mobile applications.

TOM's traditional publishing business attains leadership position. Its market insight has earned numerous recognitions, whereas its titles are among the bestsellers in Taiwan. Moreover, many titles received overwhelming responses from readers, and have been licensed for the making of TV programmes. Labels under the Publishing Group are top players in their specialities: *Business Weekly* is the leader among its peer competitors and earns numerous awards over the years; Home Media Group is renowned for its technology, know-how and lifestyle publications; Sharp Point remains the leading publisher of leisure publications and popular titles, while Nong Nong Intermedia Group publishes Taiwan's leading lifestyle, fashion and infant-care guides for women.

On the digital publishing front, "POPO" (www.popo.tw) is a first-of-its-kind creative platform in Taiwan for creation, consumption and transaction of original content, eyeing the world's Chinese-language literature market. Social media website "Pixnet" (www.pixnet.net), which ranks number 9 in Taiwan in terms of traffic, provides an online community window for publications under the Publishing Group. "Lifeel" and "e Reading Now" meet readers over smartphones, iPhone and iPad, offering e-books and e-magazines published by Cité. In addition, book websites are in place to offer online publishing, e-reading, e-learning and interactive community services.

As Cité moves into the international markets of traditional and digital publishing, it has entered collaboration with overseas partners including British Broadcasting Corporation (BBC) and Japanese publisher Kodansha. The Group has extended its presence in the Mainland market by publishing a variety of popular periodicals including *DG Best* and *International Wrist Watch*. In Hong Kong, *CUP* is the magazine of choice in educated circles.

Television & Entertainment

CETV is a leading 24-hour Putonghua general entertainment channel providing the latest and popular Asian and international entertainment programming. Self-productions including *CEO's Microblog*, *Beauty First*, *Entertainment Power*, *KKBOX Music Interaction* and *Trendy Master* etc. offer diversified entertainment and 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. Its entertainment programme offerings are extended to TOM portal and various channels, including the official website (www.cetv.com) and applications for iPhone, iPad and Android platforms, which enable users access the latest CETV interactive entertainment content over handsets and tablet PCs.

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

Outdoor Media

TOM Outdoor Media Group (OMG) is a leading outdoor advertising operator with an advertising presence in more than 100 cities in Mainland China. Together with subsidiaries established in Beijing and Shanghai, in second- and third-tier cities such as Dalian, Changchun, Shenyang, Jinan, Fuzhou, Xiamen, Chengdu, Chongqing and Kunming etc., OMG provides professional one-stop media solutions.

OMG operates an established nationwide network of diversified and quality advertising assets. It is also committed to the research and development of outdoor new media and technology. With its experienced management, seasoned sales and client servicing team, OMG is recognised as a leader in the industry in Mainland China and remains the preferred outdoor media agent of local and international brands.

FINANCIAL HIGHLIGHTS

For the year ended 31 December

In HKD Thousands	2011	2010	2009 (As restated)^	2008	2007 (As restated)^^
Results					
Revenue					
Internet	**727,452**	1,031,963	1,062,447	1,066,690	1,085,460
E-Commerce	**–**	1,834	2	–	–
Publishing	**1,051,584**	947,492	867,315	1,011,734	947,544
Outdoor Media	**331,112**	275,348	353,447	464,722	440,178
Television & Entertainment	**216,212**	207,590	152,542	184,887	209,433
	2,326,360	2,464,227	2,435,753	2,728,033	2,682,615
Operating (loss)/profit#	**(458,578)**	(93,001)	24,514	(1,367,755)	(231,651)
Loss attributable to equity holders of the Company	**(498,270)**	(167,952)	(60,511)	(1,394,429)	(331,105)
Financial Position					
Total assets	**4,732,054**	5,140,262	5,241,384	5,878,715	8,768,438
Total liabilities	**3,276,280**	3,268,351	3,205,508	3,616,401	5,270,052
Total equity	**1,455,774**	1,871,911	2,035,876	2,262,314	3,498,386

\# Operating (loss)/profit refers to (loss)/profit before finance costs and taxation.

^ In 2010, the Group had reorganised the business segments such that merchandise sales generated through internet-based marketplace have been recorded in the E-Commerce Group such that the consolidated financial data for 2009 had been restated accordingly.

^^ In 2008, the Group had aligned the accounting policy such that the consolidated financial data for 2007 had been restated accordingly.

CHAIRMAN’S STATEMENT

I am pleased to announce the results of TOM Group Limited and its subsidiaries (collectively referred to as the “TOM Group” or the “Group”) for the financial year ended 31 December 2011.

The Group posted revenues of HK$2,326 million. Loss attributable to shareholders was HK$498 million and loss per share was 12.80 HK cents. Excluding a one-off non-cash goodwill impairment of wireless value-added services (WVAS) and traditional portal operations totalling HK$421 million and write-back of consideration payable on acquisition of a subsidiary in prior year of HK$154 million, operating loss for the reporting period was HK$191 million. The impairment charge reflects the Group’s migration from content-based portal to technology-based platform, and a decline in the overall valuation of the WVAS industry.

The Internet Group posted revenues of HK$727 million while segment loss amounted to HK$58 million. During the period, the Internet Group completed the first phase investment in the building of cloud-based infrastructure and unveiled user-centric music and game services which were well-received by users.

The E-Commerce Group showed growth momentum during the period and encouraging early results. The gross merchandise value (GMV) of goods sold reached RMB240 million, and average value per transaction stood above industry average at over RMB280. The progress of the Ule joint-venture is encouraging and the management believes this business can become one of the key revenue drivers for the Group in coming years.

The Publishing Group posted satisfactory results for the period. During the period, this Group continued to pursue and invest in new e-publishing initiatives. Segment revenues and profit grew by 11% and 2% respectively as compared to the previous year. The Group remains a market leader in digital and printed publishing in the Chinese-language. During the period, the Group has launched nearly 300 applications on various e-reading devices while its flagship magazine *Business Weekly* posted 15% growth in advertising income despite the softening in Taiwan’s advertising market.

Regulatory constraints that limited the financial progress of the Television & Entertainment Group last year have eased somewhat this year. CETV increased distribution of its interactive entertainment contents over online and mobile platforms and its proprietary iPhone, iPad and Android applications. Cité Publishing in Taiwan has recently been awarded the right to operate a satellite channel, CETV will work closely with Cité with respect to programme production for this channel and plans to broadcast these jointly produced programmes in its channel in China.

The Outdoor Media Group (OMG) continued to upgrade its media assets and posted a 20% increase in revenues during the period under review. Occupancy rate of media assets stood at 74%.

Going forward, TOM Group will remain focused on financial and operating disciplines, and continue its commitment in product and service innovation especially in the areas of e-commerce, e-publishing and other digital initiatives. Barring economic uncertainty and regulatory changes, the management is confident that the current initiatives will lead to a restoration of sustainable growth for the Group in future years.

I would like to take this opportunity to thank the management and all the staff of TOM Group for their hard work and dedication over the year.

Frank John Sixt
Chairman

Hong Kong, 26 March 2012

Business and Operation Review

In response to the arising opportunities alongside industry and technology evolvement, the Group has invested in its e-commerce, mobile Internet and e-publishing businesses, and acquired new growth drivers in the last few years.

E-Commerce – KPI performances indicate momentum of growth, joining domestic and overseas partners to tap expansion

E-commerce is a fast-developing business initiative for TOM Group. Ule (www.ule.com.cn), a joint-venture between TOM Group and China Post, is a scalable e-shopping platform addressing both online and offline service bases of e-commerce in the Mainland.

During the year, Ule strengthened its online and offline services and reported measurable growth in a number of operating key performance indicators (KPIs). As at end of 2011, Ule recorded gross merchandise value (GMV) of RMB240 million, nearly 3-time growth as compared to the first half of the year. Average value per transaction doubled the industry average at more than RMB280. In its first year of operation, Ule has acquired more than a million of users, and offered offline shoppers with sales services for nearly 80,000 products over 50,000 counters. Repeated buyer rate stood high at 25%.

Going forward, Ule will deepen its collaboration with China Post, and launch a co-branded debit card together with the Postal Savings Bank. In March 2012, Ule entered into a memorandum of understanding with Bestv New Media Co. Ltd. (BesTV) under Shanghai Media Group. Both parties intended to bring together BesTV's strengths and resources across IPTV, Internet TV, mobile TV and TV payment systems, as well as Ule's edge in e-commerce, mobile Internet and logistics, for the establishment and operation of a unique, innovative interactive sales and marketing platform. Moving into a global e-commerce platform, Ule collaborated with the New Zealand Post Office to launch a beta version of its international site in early 2012, which offers milk powder products imported from New Zealand.

Internet – launch popular game and music applications

The Internet Group maintained revenue level at over HK$700 million amid the rapid development of smartphones, which fades the traditional wireless value-added services. During the year, the Internet Group invested in the development and launch of cross-device and cross-platform mobile Internet products, and saw encouraging early results. The Group collaborated with 15 game developers, including Glu Mobile Inc., to launch about 60 games, which saw over 50% month-on-month growth of user base. Music social networking service "637.fm", an interactive platform for music record companies, artists and their fans, met users in the fourth quarter. The application has to-date attracted 10 music labels and tens of artists, whereas the user base has grown by over 60% month-on-month. It is believed that the growth momentum of such user bases will remain strong. Going forward, TOM will roll out more innovative applications with a view to further grow the user base.

Publishing – digital publishing booms, nearly 300 applications coupled by surging downloads

The Publishing Group reported 11% growth in revenue as compared to the previous year. The Group's flagship magazine *Business Weekly* saw 15% year-on-year growth in advertising income, whilst KPI performances of various digital publishing initiatives also stepped up. To date, the Publishing Group has doubled its e-reading offerings as compared to the first half of 2011. Among the nearly-300 applications on iPhone, iPad and Android platforms, over 80% are paid. Gross downloads surged by over 2 times as compared to the first half of 2011, to nearly 3 million. The synergy between traditional and e-publishing pushed forward growth in both businesses.

The Publishing Group pursued cross-region strategy, and extended its footprint in digital publishing business in the Chinese-language markets worldwide via collaboration with overseas publishers. The Publishing Group formed a joint-venture with Japanese publisher Kodansha during the year. The Publishing Group also explored cross-strait opportunities in collaboration with local partners. Cité in Taiwan has been awarded the right to operate a satellite channel. Building on its leadership in traditional media and wealth of premium content, Cité will leverage on TOM Group's TV and entertainment resources to tap cross-platform business.

The Publishing Group enjoyed another year of wide recognition by industry peers. In the 5th Golden Tripod Awards for Digital Publications, the "Bella" application (jointly launched by Cité and Far EasTone), *Comic Star* website *and Gurubear* interactive pictorial were awarded "Best Value-Added Service Award", "Best Innovation Publisher of the Year Award" and "2011 the Taiwan Best Digital Content Products Award" respectively. On the other hand, *Lovely, Lovely, Lovely* won the "Award For Best Girl Comic" and "Award For Best Readers' Choice" in the 2nd Golden Comic Awards, whereas *Make a Wish! DA XI* won the "Award For Best Girl Comic" in the 8th Golden Dragon Award Original Animation & Comic Competition. *Business Weekly* was widely recognised with numerous awards including "Award for Excellence in Business Reporting" and "Award for Excellence in Feature Writing" in the SOPA 2011 Awards for Editorial Excellence, the "Best Financial Magazine Award" in the 35th Golden Tripod Award. It also won the 15th New Report Award for Cross Strait and Mainland Affairs, and the First Place for Feature Report in the 10th Excellent Journalism Award. *The End of the River, Volume II* was awarded the 35th Golden Tripod Award (Fiction), whereas *La Vie* magazine won the "Best Lifestyle Magazine Award". Three healthcare publications, namely *Grande O Piccolo, Breastfeeding: The best bet for babies* and *Pregnancy* won the 2011 Health Books Recommend Award.

Television & Entertainment **– strengthened content and e-distribution**

The Television & Entertainment Group strived to strengthen programme and e-distribution of content. It collaborated with imgo.tv (www.imgo.tv) under Hunan TV to deliver its self-production online, via IPTV and mobile clients of imgo.tv. Moving into the future, CETV will continue tapping new technology such as high-definition broadcasts to address the market appetite.

CETV strived to further extend its domestic and overseas clientele during the year. The *CETV Top 10 Asian Star Awards* made its debut event in Dalian with the support by the Dalian Travel & Tourism Bureau and Haichang Group. Besides self-produced programmes that were sponsored by renowned brands, CETV also presented the best popular Asian dramas from Taiwan and Korea.

Outdoor Media **– digitisation of media assets**

TOM Outdoor Media Group (OMG) pursued upgrade of media assets. Through the launch of LED panels, revenue grew by 20% as compared with the previous year. OMG was widely recognised for its professional excellence. On the 8th China Media Conference held in 2011, OMG was recognised as one of the top-10 outdoor media providers. OMG was also named a top outdoor media brand in various media industry conferences in China.

Financial Review

TOM Group reports its results in five business segments namely Internet Group, E-Commerce Group, Publishing Group, Outdoor Media Group and Television & Entertainment Group.

Revenue

The Group's revenue for the year ended 31 December 2011 amounted to HK$2,326 million, a decrease of 5.6% compared to HK$2,464 million last year.

Segmental Results

The Internet Group reported gross revenues of HK$727 million, 29.5% lower than last year's HK$1,032 million. Segment loss was HK$58 million, compared to segment profit of HK$18 million in 2010.

The E-Commerce Group reported segment loss of HK$55 million, 70.2% higher than last year's HK$32 million.

Gross revenues of the Publishing Group increased by 11.0% to HK$1,052 million from last year's HK$947 million. Segment profit increased by 1.9% to HK$103 million from HK$101 million in 2010.

Gross revenues of the Outdoor Media Group increased by 20.3% to HK$331 million from last year's HK$275 million. Segment loss decreased by 2.8% to HK$21 million from HK$22 million in 2010.

Gross revenues of the Television & Entertainment Group increased by 4.0% to HK$217 million from last year's HK$209 million. Segment loss was HK$82 million, a 29.1% increase from HK$63 million in 2010.

Operating Loss

The Group's operating loss for the year amounted to HK$459 million, compared to last year's HK$93 million. Excluding the financial impacts from non-recurring write back of consideration payable on a prior year's acquisition of HK$154 million and provision for impairment of goodwill of HK$421 million in 2011 (2010: provision for impairment of goodwill and other assets of HK$12 million), the operating loss was HK$191 million, compared to operating loss of HK$81 million in 2010.

The provision for impairment of goodwill made in 2011 was relating to the Internet Group. The provision was made as a result of the decline in operating environment and overall lower industry valuations of the Group's wireless value-added services and traditional portal operation in Mainland China.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company was HK$498 million, compared to HK$168 million in 2010.

Liquidity and Financial Resources

As at 31 December 2011, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK$962 million. A total of HK$2,929 million financing facilities were available, of which HK$2,132 million had been utilised as at 31 December 2011, to finance the Group's capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$2,132 million as at 31 December 2011. These included long-term bank loans of approximately HK$2,014 million and short-term bank loans of approximately HK$118 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 59% as at 31 December 2011, compared to 51% as at 31 December 2010.

As at 31 December 2011, the Group had net current assets of approximately HK$645 million, 14% higher than balance of approximately HK$565 million as at 31 December 2010. As at 31 December 2011, the current ratio (Current assets/Current liabilities) of TOM Group was 1.50, compared to 1.39 as at 31 December 2010.

During the year, the Company had entered into facility agreements and supplemental deeds with several independent financial institutions for providing an aggregate amount of HK$2,200 million term and revolving loan facilities for a period of three years to refinance the existing indebtedness and finance the working capital requirements of the Group.

In 2011, net cash outflow used in operating activities amounted to HK$20 million. Net cash outflow used in investing activities was HK$293 million, mainly included capital expenditures of HK$232 million, settlement of consideration payable on a prior year's acquisition of HK$55 million and advance to jointly controlled entities of HK$33 million, partially offset by dividend received of HK$16 million and proceeds from disposal of available-for-sale financial assets of HK$15 million. During the year, the net cash inflow from financing activities amounted to HK$153 million, mainly included drawdown of bank loans, net of repayment, of HK$186 million, partially offset by payment of loan arrangement fee of HK$19 million and dividends paid to non-controlling interests of subsidiaries of HK$14 million.

Charges on Group Assets

As at 31 December 2011, the Group had restricted cash amounting to HK$4 million, being bank deposits mainly pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

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

From 2008 to 2011, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2009 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT$820 million (approximately HK$210 million) in total in deriving the assessable profits of the subsidiary. This gave rise to a potential additional income tax liability to the Group of approximately NT$205 million (approximately HK$53 million). The subsidiary duly filed the petitions/appeals to the tax authority and requested for re-examination on the deductibility of the amortisation charge. In 2010, the petitions for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary appealed to the Court in Taiwan. In November 2010 and June 2011, the subsidiary won the 2004 and 2005 tax appeals respectively. In January and August 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 tax assessments respectively. In February and March 2012, the Court decided to revert the 2004 and 2005 tax assessments back for re-trial, on the opinion that appropriate laws and regulations have not been applied in drawing the conclusion of the original judgement for the 2004 and 2005 tax assessments.

Management has discussed the cases with its external tax representative. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan, management is confident of a favourable outcome of the tax appeals/petitions and considers no provision is necessary at this stage.

Should the tax appeals and petitions by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2010 to 2011 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to year 2011 to the Group thereon is approximately NT$258 million (approximately HK$66 million).

Employee Information

As at 31 December 2011, TOM Group had 3,025 full-time employees. Employee costs, excluding Directors' emoluments, totalled HK$589 million for the year (2010: HK$551 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of 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 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 of 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 and write back of consideration payable on a prior year's acquisition, 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, since the Group has historically reported certain non-GAAP results to investors, it is considered the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.

Frank John Sixt

aged 60, has been a Non-executive Director and the Chairman of the Company since 15 December 1999 and is a member of the Remuneration Committee of the Company. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited ("CKI") and Power Assets Holdings Limited ("Power Assets"), a Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and Hutchison Port Holdings Management Pte. Limited ("HPH Management") as the trustee-manager of Hutchison Port Holdings Trust ("HPH Trust"), and a Director of Hutchison Telecommunications (Australia) Limited ("HTAL") 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 Society of the Provinces of Quebec and Ontario, Canada.

Yeung Kwok Mung

aged 47, 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 ("Horizons") 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 47, 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 61, 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 Beijing Oriental Plaza Company Ltd.

Ip Tak Chuen, Edmond

aged 59, 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 CKI, 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 ("Excel"), Real Nutriceutical Group Limited (formerly known as Ruinian International Limited) and Shougang Concord International Enterprises Company Limited (all being listed companies), a Non-Executive Director of ARA Asset Management (Fortune) Limited as the Manager of Fortune REIT which is listed in Hong Kong and Singapore, a Director of ARA Trust Management (Suntec) Limited as the Manager of Suntec REIT which is listed in Singapore, and a Non-Executive Director of Hui Xian Asset Management Limited as the Manager of Hui Xian REIT which is listed in Hong Kong. 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 64, has been an Independent Non-executive Director of the Company since 21 January 2000. He is also the Chairman of the Audit Committee and the Chairman 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, CKI, Excel, HTHKH, New World Department Store China Limited, SPG Land (Holdings) Limited, CNNC International Limited, Creative Energy Solutions Holdings Limited, all being listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, 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 and a Member of the Advisory Committee of the Securities and Futures Commission, and was previously a member of the Disciplinary Panel (Panel A) of the Hong Kong Institute of Certified Public Accountants. He was an Independent Non-Executive Director of FPP Japan Fund Inc. (formerly known as "FPP Golden Asia Fund Inc." and "Jade Asia Pacific Fund Inc."), a company listed in Ireland, up until October 2008.

Lee Pui Ling, Angelina

aged 63, 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 CKI 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 and a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee. She is a practising solicitor, 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 61, 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 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 and 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 61, 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.

Chow Woo Mo Fong, Susan

aged 58, has been an alternate Director to Mr. Frank John Sixt (Chairman) since 5 March 2012 and is an alternate to Mr. Frank Sixt, a member of the Remuneration Committee of the Company. She was a Non-executive Director of the Company up until 5 March 2012. She is an Executive Director of CKI, Hutchison Harbour Ring Limited and Power Assets, a Non-Executive Director of HTHKH, a Director of HTAL and an Alternate Director of CKI, Power Assets, HTAL and HPH Management as the trustee-manager of HPH Trust. 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 qualified solicitor and holds a Bachelor's degree in Business Administration.

Francis Anthony Meehan

aged 41, has been an alternate Director to each of Mr. Frank John Sixt (Chairman), Ms. Chang Pui Vee, Debbie and Mr. Ip Tak Chuen, Edmond, all being Non-executive Directors of the Company, since 25 March 2008. He is also a consultant of Horizons, which is 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. Meehan was 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. He was also 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 shareholders' value and safeguarding interests of shareholders and other stakeholders. The Company believes that good corporate governance practices is also in the interest of the Company as it 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 and stakeholders on which the Company's success is dependent upon.

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

Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (which has new amendments made effective in 2012, including the name of the Code, which is now renamed as Corporate Governance Code) ("Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2011.

The Company has also adopted certain recommended practices stated therein. The Company has reviewed its position against the amended code provisions with respect to amendments that are to be made in 2012 and can confirm that, as at the date of this report, it is compliant with most of the code provisions of the Code ahead of the scheduled effective dates.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. In response to specific enquiry made with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2011.

The Board

The Board is accountable to shareholders for the long-term performance of the Company. In that connection, it is responsible for directing the strategic objectives of the Company and overseeing the corporate governance and management of the business.

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

As at 31 December 2011, the Board comprised 11 Directors, including the Chairman, Chief Executive Officer, Chief Financial Officer, four Non-executive Directors, one 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 in the "Directors' Profile" section on pages 11 to 13 and on the website of the Company (www.tomgroup.com).

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements of the Listing Rules. The Board has made an assessment of the independence of all the Independent Non-executive Directors of the Company and considers them to be independent having taken into account (a) each of the Independent Non-executive Directors having made an annual confirmation of independence as required under Rule 3.13 of the Listing Rules, (b) the absence of involvement in the day-to-day management of the Company or circumstances which would interfere with the exercise of their independent judgement.

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

Mr. James Sha, who is to retire by rotation at the 2012 annual general meeting of the Company, has served as an Independent Non-executive Director of the Company for more than 9 years. In addition to his confirmation on independence in accordance with the Listing Rules, Mr. James Sha continues to demonstrate the attributes of an Independent Non-executive Director and there is no evidence that his tenure has had any impact on his independence. The Directors are of the opinion that Mr. James Sha remains independent notwithstanding the length of his tenure and that they believe that his valuable knowledge and experience in the Group's business (in particular the mobile Internet/high technology businesses) and his general business acumen continue to generate significant contribution to the Company and its shareholders as a whole.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and the Board meetings are planned and conducted effectively. The Chairman is primarily responsible for setting (with the assistance of the Company Secretary) and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the Directors and Company Secretary 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 informed of issues arising at Board meetings and receive adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and also actively encourages Directors with different views to voice their concerns and to be fully engaged in the Board's affairs and contribute 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. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager 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 Group. Working with the Chief Financial Officer and senior management of each business unit, he presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses of the Group are met and closely monitors the operating and financial results of the businesses against plans and budgets, and takes remedial actions if necessary. 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.

A list of Directors setting out their roles and functions is published on the websites of the Group and Hong Kong Exchanges and Clearing Limited ("HKEx").

The Board meets regularly, and at least 4 times a year with meeting dates scheduled at the beginning of the year. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis with respect to the activities and development of the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of certain significant operational matter of the Company by way of circulating resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

These regular meetings and information, updates together with all other materials that the Directors receive from time to time provide sufficient background enabling each and every Director to make informed decisions for the best interest of the Company.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Board held 4 regular meetings in 2011 with 80% attendance.

The attendance records of the meetings held in 2011 are set out below:

	Board Meeting	General Meeting
Chairman		
Mr. Frank John Sixt	3/4	1/1
Executive Directors		
Mr. Yeung Kwok Mung *(Chief Executive Officer)*	4/4	1/1
Ms. Mak Soek Fun, Angela *(Chief Financial Officer)*	4/4	1/1
Non-executive Directors		
Ms. Chang Pui Vee, Debbie	3/4	0/1
Mrs. Chow Woo Mo Fong, Susan *	3/4	0/1
Mr. Ip Tak Chuen, Edmond	2/4	0/1
Mrs. Lee Pui Ling, Angelina	3/4	0/1
Independent Non-executive Directors		
Mr. Cheong Ying Chew, Henry	4/4	1/1
Ms. Wu Hung Yuk, Anna	3/4	0/1
Mr. James Sha	3/4	0/1

* Mrs. Chow Woo Mo Fong, Susan has in March 2012 resigned from her role as Non-executive Director of the Board and re-designated as an alternate director to the Chairman of the Company.

In addition to the regular Board meetings, a meeting between the Chairman, Non-executive Directors and Independent Non-executive Directors without the presence of Executive Directors was held once in 2011.

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 re-election by shareholders at annual general meetings and at least once every three years on a rotation basis. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate resolutions. Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, having regard to the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position. Shareholders may propose a candidate for election as Director in accordance with the Articles of Association of the Company, the procedures of which are published on the website of the Company.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Information and updates are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses. The Company provides to the Directors, Management and relevant senior management team of the Group with relevant reading material and opportunities to attend training offered by related companies or third party providers to develop and refresh their knowledge and skills so that they are kept well informed on the roles, functions and duties of a listed company director. Directors disclose to the Company their interests as a director and other office in other public companies and organisations in a timely manner together with any subsequent changes thereto.

Board Committees

The Board is supported by two permanent Board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of references of these committees have been revised with reference to the amended code and adopted by the Board are published on websites of the Company and HKEx.

Company Secretary

The Company Secretary, Ms. Angela Mak is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. She ensures timely preparation and dissemination to Directors meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committees, including any concerns raised or dissenting views voiced by any Director. The minutes are available for inspection by any Director at any reasonable time and on reasonable notice.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Articles of Association of the Company. Whilst the Company Secretary reports to the Board through the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms. Angela Mak has been appointed as the Company Secretary of the Company since 2000, and has the day-to-day knowledge of the Company's affairs. In response to specific enquiries made, the Company Secretary confirmed that she has complied with all the proposed qualifications, experience and training requirements of the revised Listing Rules throughout 2011.

Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half year end.

The Directors acknowledge their responsibility for preparing the financial statements and annual report of the Company. 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 Company give a true and fair view and are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies. The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. 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 for the Group 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 42 to 43.

Audit Committee

The Company has established the Audit Committee in January 2000. The Audit Committee currently consists of three Independent Non-executive Directors and one Non-executive Director. The Chairman of the Audit Committee has the appropriate professional qualifications, accounting or related financial management expertise. It 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 monitoring the corporate governance of the Group including compliance with statutory and Listing Rules requirements, reviewing of scope, extent and effectiveness of the activities of the Group's financial reporting system and internal audit function, engaging independent legal and other advisors and conducting investigations as it so determines to be necessary.

The Audit Committee held 5 meetings in 2011 with 100% attendance.

The attendance records of the Audit Committee meetings held in 2011 are set out below:

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

During the year, the Audit Committee performed the duties and responsibilities under the terms of reference and other duties as required under the Code.

The Audit Committee meets with the Chief Financial Officer and other senior management and the Company's internal and/or external auditor, where applicable to discuss 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 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Group, the annual report and accounts, and interim report and accounts of the Group, discussed such annual report and audited accounts, interim report and accounts with Management and the external auditor, and considered significant financial reporting and judgements 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 judgemental 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 Audit Committee also meets with the internal auditor separately without the presence of Management. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the Group's internal auditor the work plan for their audits together with their resource requirements and considers the report of the Group Internal Audit General Manager to the Audit Committee on the effectiveness of internal controls in the Group business operations. In addition, it also receives the report from the Head Corporate General Counsel on the Group's material litigation proceedings and compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditor confirming their independence and objectivity and holds meeting with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditor, PricewaterhouseCoopers, for the various services is listed below:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, due diligence and accounting advice related to mergers and acquisitions and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must or is best placed to undertake in their capacity as auditor.

- Taxation related services – include some tax compliance and tax planning services. All other significant taxation related work is undertaken by other parties as appropriate.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

External Auditor's Remuneration

The amount of fees charged by the external auditor of the Company generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2011, the remuneration to the external auditor of the Company were approximately HK$11,866,000 for audit services and HK$31,000 for non-audit services comprising tax services.

Remuneration Committee

The Company has established the 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. It was 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. Effective as of 1 January 2012, the Chairman of the Remuneration Committee is now an Independent Non-executive Director, Mr. Cheong Ying Chew, Henry. The composition of the Remuneration Committee meets the requirements of the chairmanship and independence of the Listing Rules and early adoption of the revised code provisions. 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 meet as and when required to consider remuneration related matters of Directors and senior management of the Group.

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. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

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 do not participate in the determination of their own remuneration.

Consistent with the principles applied in the past, for the year ended 31 December 2011, 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 which are determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the year ended 31 December 2011 are set out in note 13 to the financial statements.

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. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

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 2011 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the Boards of all material operating subsidiaries, jointly controlled entities and associates for monitoring those companies, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Directors. When setting budgets and reforecasts, Management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each material businesses. The Chief Financial Officer has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Chief Financial Officer or Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the Group's internal audit function, reporting to the Chief Financial Officer on a day-to-day basis, updates the Chief Executive Officer regularly and also directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Financial Officer and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Corporate Governance

The Board is entrusted with the overall responsibility for developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by the Chief Financial Officer comprising representatives from key departments of the Company was set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

Review of Internal Control Systems and Corporate Governance Compliance

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 2011 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Having regard to the recent changes and developments of the regulatory and legal requirements relevant to the Group, various policies and procedures were updated or established in 2011 by the Board in areas including handling of confidential and price-sensitive information, securities dealing, prevention of bribery and corruption, shareholders' communication and reporting on possible improprieties with respect to financial reporting and internal control.

Legal, Regulatory Compliance and Directors and Officers Liability Insurance

The Group Legal Department has the responsibility of safeguarding the legal interests of the Group. The team, led by the Head Corporate General Counsel and Company Secretary, is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving legal and corporate secretarial documentation of Group companies, working in conjunction with finance, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Group Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. The department also determines and approves the engagement of external legal advisors, ensuring the requisite professional standards are maintained as well as most cost effective services are rendered. Further, the Group Legal Department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for its legal counsels. In this regard, the Memorandum and Articles of the Company ("M&A") remains unchanged in 2011, however, certain amendments will be made to the M&A in 2012 so as to update it to comply with the Listing Rules and other regulatory requirements. A separate circular will be issued and shareholders' approval of the amendments will be sought at the upcoming Annual General Meeting ("AGM").

Directors and officers liability insurance is also in place to protect Directors and officers against potential legal liabilities.

Code of Conduct

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided/have access to the Group's Employee Handbook which contains the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery etc. The employees are required to report any non-compliance with the Code of Conduct to the Management.

Investor Relations and Shareholders' Rights

The Group actively promotes investor relations and communications with the investment community when the financial results are announced.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. 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 who fulfil the requisite requirements 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. Furthermore, shareholders who fulfil the requisite requirements may put forward proposals for consideration at a general meeting of the Company by sending a written request for such proposals in accordance with the relevant statutory requirements. Votes of shareholders at general meetings will be taken by poll and the results of the poll are published on the websites of the Company and HKEx. Financial and other information on the Group is available on the Company's website, which is updated regularly.

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

The latest shareholders' meeting of the Company was the 2011 AGM which was held on 16 May 2011 at Harbour Grand Kowloon, Hung Hom, Kowloon, Hong Kong attended by external auditor and certain Directors including the Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Audit Committee. Resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 16 May 2011 are set out below:

ORDINARY RESOLUTIONS		Number of Votes (Approx. %)
		For
1.	To receive and consider the audited financial statements and the reports of the directors and the auditor for the year ended 31 December 2010.	(99.996649%)
2.	(a) To re-elect Mr. Yeung Kwok Mung as a director.	(99.973938%)
	(b) To re-elect Mr. Edmond Ip as a director.	(96.351059%)
	(c) To re-elect Mr. Henry Cheong as a director.	(99.996277%)
	(d) To re-elect Mrs. Angelina Lee as a director.	(99.788523%)
3.	To re-appoint PricewaterhouseCoopers as the auditor and authorise the board of directors to fix their remuneration.	(99.997096%)
4.	To grant a general mandate to the directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution.	(96.503444%)
5.	To grant a general mandate to the directors to repurchase shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution.	(99.996351%)
6.	To extend the general mandate granted to the directors to allot, issue and deal with additional shares by the amount representing the aggregate nominal amount of the issued share capital of the Company repurchased by the Company.	(96.503392%)

By order of the Board

Angela Mak
Company Secretary

Hong Kong, 26 March 2012

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2011.

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 124 to 128.

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

Results and appropriations

The results for the year are set out in the consolidated income statement on page 44.

The Directors do not recommend the payment of a dividend.

Reserves

As at 31 December 2011, the Company's reserves available for distribution calculated under the Companies Law of the Cayman Islands totalled HK$895,696,000, which comprised share premium account and contributed surplus, less accumulated losses.

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 35 to the financial statements.

Fixed assets

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

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 financial statements respectively.

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 *	
Mr. Ip Tak Chuen, Edmond *	
Mr. Cheong Ying Chew, Henry #	
Mrs. Lee Pui Ling, Angelina *	
Ms. Wu Hung Yuk, Anna #	
Mr. James Sha #	
Mrs. Chow Woo Mo Fong, Susan +	*(resigned as Non-executive Director on 5 March 2012)* *(appointed as alternate Director to Mr. Frank John Sixt on 5 March 2012)*
Mr. Francis Anthony Meehan +	*(alternate Director to each of Mr. Frank John Sixt, Ms. Chang Pui Vee, Debbie and Mr. Ip Tak Chuen, Edmond)*

* *Non-executive Director*
\# *Independent Non-executive Director*
\+ *Alternate Director*

In accordance with Article 116 of the Company's Articles of Association, Ms. Chang Pui Vee, Debbie, Ms. Wu Hung Yuk, Anna and Mr. James Sha 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 Directors (except alternate Directors) are subject to retirement by rotation at annual general meetings 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 11 to 13.

Directors' emoluments

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

Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, the employees share option scheme (as amended on 24 April 2002) ("Old Option Scheme") was 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 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 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 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 26 March 2012).

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 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 Old Option Scheme and the New Option 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 Old Option Scheme has no remaining life as no further options may be granted but the provisions of 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 Old Option Scheme 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 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

(a) Old Option Scheme

As at 31 December 2011, options to subscribe for an aggregate of 6,556,000 shares of the Company which were granted to certain Directors, continuous contract employees and ex-employees of the Group were outstanding. Details of the share option movement during the year ended 31 December 2011 were as follows:

	Date of grant	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2011	Option Period	Subscription price per share of the Company *HK$*
		Number of share options							
Director *(Note 1)*	9/10/2003	6,000,000	–	–	–	–	6,000,000	9/10/2003 – 8/10/2013	2.505
Employees (including ex-employees)	9/10/2003	976,000	–	–	–	(420,000)	556,000 *(Note 2)*	9/10/2003 – 8/10/2013	2.505
	Total:	6,976,000	–	–	–	(420,000)	6,556,000		

Notes:

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

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

   (ii) For certain grantees, the options have vested in three tranches. 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.

   (iii) 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.

(b) 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 2011, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

		Number of shares of the Company					
Name of Directors	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate 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 Old Option Scheme, a Director was granted share options to subscribe for the shares of the Company. Details of which as at 31 December 2011 were as follows:

		Number of share options							
Name of Director	Date of grant	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2011	Option Period	Subscription price per share of the Company *HK$*
Mak Soek Fun, Angela	9/10/2003	6,000,000	–	–	–	–	6,000,000 *(Note)*	9/10/2003 – 8/10/2013	2.505
	Total:	6,000,000	–	–	–	–	6,000,000		

Note: 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.

Save as disclosed above, during the year ended 31 December 2011, none of the Directors or chief executive of the Company was granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, as at 31 December 2011, 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 2011, 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	994,864,363*(L) (Notes 3 & 4)*	25.55%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	994,864,363*(L) (Notes 3 & 4)*	25.55%
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 CKH 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 66,864,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 66,864,363 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 66,864,363 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 7 October 2011.

Save as disclosed above, as at 31 December 2011, 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 2011, which do not constitute connected transactions under the Listing Rules are disclosed in note 41 to the financial statements.

Continuing connected transactions

(a) On 30 December 2008, TOM International, a wholly-owned subsidiary of the Company, has entered into an advertising services agreement with CKH, 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 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.

(b) 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. On 28 December 2010, TOM International has entered into a supplemental agreement with HIL to revise the annual caps for the years 2010 and 2011 to HK$37,000,000 and HK$45,000,000 respectively. During the year, HK$41,439,000 has been paid by HIL to the Group.

(c) In consideration of CKH, HWL and Cranwood Company Limited ("Cranwood") (all being substantial shareholders of the Company) granting the guarantees ("Old 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 "Old 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 Old Loan Facilities to CKH, HWL and Cranwood payable quarterly in advance in proportion to their respective percentage of the Old Guarantees given in respect of the obligations of the Company under the Old 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$6,106,260 has been paid by the Company to CKH, HWL and Cranwood.

In consideration of CKH and HWL (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$2,200 million by four independent financial institutions (the "Loan Facilities"), on 7 October 2011, the Company has entered into certain guarantee fee agreements with CKH and HWL 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 and HWL 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, subject to the annual caps of HK$3,000,000, HK$11,000,000, HK$11,000,000 and HK$9,000,000 for the years 2011, 2012, 2013 and 2014 respectively. During the year, an aggregate of HK$1,667,650 has been paid by the Company to CKH and HWL.

(d) On 3 December 2009, Beijing Lei Ting Wu Ji Network Technology Company Limited ("LTWJi", a subsidiary of the Company) has entered into a tenancy agreement with Beijing Oriental Plaza Company Limited ("Beijing Oriental", an Associate of CKH) in respect of the renewal of the lease by Beijing Oriental of Rooms 7 & 8, 5th Floor, Tower W3, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the PRC ("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. During the year, RMB1,213,600 has been paid by LTWJi to Beijing Oriental.

(e) On 3 December 2009, 10 subsidiaries of the Company, namely, Beijing Super Channel Network Limited, Beijing Redsail Netlegend Data Network Technology Company Limited, LTWJi, Beijing Lahiji Technology Development Limited ("Beijing Lahiji"), 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. During the year, an aggregate of RMB5,686,900 has been paid by the aforesaid 10 subsidiaries of the Company to Beijing Oriental.

(f) On 3 December 2009, 16 subsidiaries of the Company, namely, TOM.COM (China) Investment Limited, TOM International Beijing Representative Office, Shanghai TOM Cite Consulting Limited Beijing Representative Office, CETV Beijing Representative Office, Beijing Lahiji, 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 (now known as Beijing Ule Media Advertising Company Limited), Shenzhen Jia Jia Television Cultural Transmission Company Limited, Guangdong Yangcheng Advertising 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. During the year, an aggregate of RMB4,277,200 has been paid by the aforesaid 16 subsidiaries of the Company to Beijing Oriental.

(g) On 10 May 2007, Yangcheng Advertising 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.

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. During the year, the Advertising Payment paid by Yangcheng Advertising to YCWB amounted to HK$17,097,000.

(h) On 26 March 2010, TOM International has entered into a tenancy agreement with The Center (48) Limited ("The Center (48)", an Associate of CKH) in respect of the lease by TOM International of the entire 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong with gross floor area of approximately 25,563 square feet for a term of 3 years commencing from 1 April 2010 to 31 March 2013. The annual total amount of the rent and management fee payable by TOM International are subject to the annual caps of HK$7,952,976, HK$9,946,380, HK$10,082,028 and HK$1,972,134 for the years 2010, 2011, 2012 and 2013 respectively. During the year, HK$9,823,068 has been paid by TOM International to The Center (48).

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 Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 37 to 39 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

(a) On 30 December 2011, TOM International has entered into an advertising services agreement with HIL, under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the HIL Group at a fee to be calculated with reference to the then market rate for a term commencing from 1 January 2012 and expiring on 31 December 2014, subject to the annual caps of HK$53,000,000, HK$56,000,000 and HK$60,000,000 for the years 2012, 2013 and 2014 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 an alternate Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and directors of certain of their respective Associates (collectively referred to as "HWL Group" and "CKI Group" respectively). In addition, Mr. Frank John Sixt is also a non-executive director of CKH and Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and director of certain of their Associates (collectively referred to as "CKH Group" and "HTHKH Group" respectively). Mrs. Chow Woo Mo Fong, Susan is 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"). Mrs. Lee Pui Ling, Angelina, a Non-executive Director, is a non-executive director of CKI. HWL Group is engaged in telecommunications, e-commerce, Internet and information technology services. CKH Group, CKI Group, CK Life and Excel are engaged in information technology, e-commerce or new technology where applicable. HTHKH Group operates GSM dual-band and 3G mobile telecommunications services in Hong Kong and Macau and provides fixed-line telecommunications services in Hong Kong. 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 the 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 reporting period are set out in note 42 to the financial statements.

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 financial statements 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 37.74% of the issued share capital of the Company was held by the public.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 26 March 2012

pwc 羅兵咸永道

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 44 to 128, which comprise the consolidated and Company statements of financial position as at 31 December 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, 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, 26 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	4	2,326,360	2,464,227
Cost of sales	6	(1,744,153)	(1,845,688)
Selling and marketing expenses	6	(287,415)	(263,975)
Administrative expenses	6	(170,733)	(171,164)
Other operating expenses	6	(326,080)	(285,797)
Other gains, net	6	25,615	37,659
Write back of consideration payable on a prior year's acquisition		154,017	–
Provision for impairment of goodwill and other assets	5	(421,201)	(11,514)
Share of profits less losses of jointly controlled entities		(11,572)	(22,447)
Share of profits less losses of associated companies		(3,416)	5,698
		(458,578)	(93,001)
Finance income	7	19,754	15,285
Finance costs	7	(59,420)	(60,474)
Finance costs, net	7	(39,666)	(45,189)
Loss before taxation		(498,244)	(138,190)
Taxation	8	(27,675)	(38,933)
Loss for the year		(525,919)	(177,123)
Attributable to:			
Non-controlling interests		(27,649)	(9,171)
Equity holders of the Company		(498,270)	(167,952)
Loss per share for loss attributable to equity holders of the Company during the year			
Basic and diluted	11	HK(12.80) cents	HK(4.31) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	(525,919)	(177,123)
Other comprehensive income		
Exchange translation differences	126,434	51,313
Net actuarial loss on defined benefit plans	(2,747)	(2,801)
Available-for-sale financial assets:		
Revaluation (deficit)/surplus during the year, net of tax	(1,453)	669
Other comprehensive income for the year, net of tax	122,234	49,181
Total comprehensive expense for the year	(403,685)	(127,942)
Total comprehensive income/(expense) attributable to:		
– Non-controlling interests	(17,183)	5,327
– Equity holders of the Company	(386,502)	(133,269)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	14	159,990	143,769
Goodwill	15	2,355,948	2,682,513
Other intangible assets	16	99,969	112,207
Interests in jointly controlled entities	18	(117,523)	(132,651)
Interests in associated companies	19	221,753	230,736
Available-for-sale financial assets	21	12,763	28,780
Advance to an investee company	22	2,172	2,172
Deferred tax assets	32(a)	41,875	31,235
Other non-current assets	23	27,555	23,609
		2,804,502	3,122,370
Current assets			
Inventories	24	101,062	98,354
Trade and other receivables	25	860,951	836,240
Restricted cash	26	3,766	3,958
Cash and cash equivalents	27	961,773	1,079,340
		1,927,552	2,017,892
Current liabilities			
Trade and other payables	28	1,048,361	1,226,149
Taxation payable		43,080	45,937
Long-term bank loans – current portion	30	73,160	72,039
Short-term bank loans	29	118,082	109,032
		1,282,683	1,453,157
Net current assets		644,869	564,735
Total assets less current liabilities		3,449,371	3,687,105
Non-current liabilities			
Deferred tax liabilities	32(b)	17,650	12,449
Non-current portion of long-term bank loans	30	1,940,656	1,770,361
Pension obligations	31(a)	35,291	32,384
		1,993,597	1,815,194
Net assets		1,455,774	1,871,911

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	389,328	389,328
Reserves		743,175	1,130,525
Own shares held	36	(6,244)	(6,244)
		1,126,259	1,513,609
Non-controlling interests		329,515	358,302
Total equity		1,455,774	1,871,911

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	1,753,740	1,835,447
Other non-current assets	23	9,730	3,967
		1,763,470	1,839,414
Current assets			
Amounts due from subsidiaries	17	1,945,577	1,719,760
Other receivables	25	6,211	8,345
Cash and cash equivalents	27	354	361
		1,952,142	1,728,466
Current liabilities			
Amounts due to subsidiaries	17	637,886	639,286
Other payables	28	59,487	58,452
		697,373	697,738
Net current assets		1,254,769	1,030,728
Non-current liabilities			
Long-term bank loans	30	1,700,000	1,453,000
Net assets		1,318,239	1,417,142
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	33	389,328	389,328
Reserves	35	935,155	1,034,058
Own shares held	36	(6,244)	(6,244)
		1,318,239	1,417,142

Yeung Kwok Mung
Director

Mak Soek Fun, Angela
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Group											
	Attributable to 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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010	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
Comprehensive income:												
Loss for the year	–	–	–	–	–	–	–	–	(167,952)	(167,952)	(9,171)	(177,123)
Other comprehensive income:												
Revaluation surplus on available-for-sale financial assets, net of tax	–	–	–	–	–	–	669	–	–	669	–	669
Net actuarial loss on defined benefit plans	–	–	–	–	–	–	–	–	(2,250)	(2,250)	(551)	(2,801)
Exchange translation differences	–	–	–	–	–	–	–	36,264	–	36,264	15,049	51,313
Total comprehensive expense for the year ended 31 December 2010	–	–	–	–	–	–	669	36,264	(170,202)	(133,269)	5,327	(127,942)
Transactions with equity holders:												
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(25,916)	(25,916)
Deconsolidation of subsidiaries (note 37(c))	–	–	–	–	–	–	–	–	–	–	(12,004)	(12,004)
Acquisition of additional interests in a subsidiary	–	–	–	(11,275)	–	–	–	–	–	(11,275)	11,275	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,897	1,897
Transfer to general reserve	–	–	–	–	–	3,586	–	–	(3,586)	–	–	–
Transactions with equity holders	–	–	–	(11,275)	–	3,586	–	–	(3,586)	(11,275)	(24,748)	(36,023)
Balance at 31 December 2010	389,328	(6,244)	3,625,981	27,162	776	137,346	3,001	605,993	(3,269,734)	1,513,609	358,302	1,871,911

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Group											
	Attributable to 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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011	389,328	(6,244)	3,625,981	27,162	776	137,346	3,001	605,993	(3,269,734)	1,513,609	358,302	1,871,911
Comprehensive income:												
Loss for the year	–	–	–	–	–	–	–	–	(498,270)	(498,270)	(27,649)	(525,919)
Other comprehensive income:												
Revaluation deficit on available-for-sale financial assets, net of tax	–	–	–	–	–	–	(1,453)	–	–	(1,453)	–	(1,453)
Net actuarial loss on defined benefit plans	–	–	–	–	–	–	–	–	(2,869)	(2,869)	122	(2,747)
Exchange translation differences	–	–	–	–	–	–	–	116,090	–	116,090	10,344	126,434
Total comprehensive expense for the year ended 31 December 2011	–	–	–	–	–	–	(1,453)	116,090	(501,139)	(386,502)	(17,183)	(403,685)
Transactions with equity holders:												
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(14,349)	(14,349)
Acquisition of additional interests in a subsidiary	–	–	–	(848)	–	–	–	–	–	(848)	848	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,897	1,897
Transfer to general reserve	–	–	–	–	–	1,911	–	–	(1,911)	–	–	–
Transactions with equity holders	–	–	–	(848)	–	1,911	–	–	(1,911)	(848)	(11,604)	(12,452)
Balance at 31 December 2011	389,328	(6,244)	3,625,981	26,314	776	139,257	1,548	722,083	(3,772,784)	1,126,259	329,515	1,455,774

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash inflow from operations	37(a)	40,774	227,880
Interest paid		(22,552)	(22,985)
Overseas taxation paid		(37,995)	(24,436)
Net cash (used in)/from operating activities		(19,773)	180,459
Cash flows from investing activities			
Capital expenditure		(231,979)	(226,877)
Proceeds from sale of fixed assets		970	1,180
Settlement of consideration payable on a prior year's acquisition		(54,600)	–
Disposal of a subsidiary	37(b)	–	(7,608)
Deconsolidation of subsidiaries	37(c)	–	(12,086)
Proceeds from disposal of available-for-sale financial assets		14,504	10,393
Capital investment in jointly controlled entities		(4,872)	–
Advance to jointly controlled entities		(32,920)	(42,124)
Dividends received		16,174	1,258
Net cash used in investing activities		(292,723)	(275,864)
Cash flows from financing activities			
New bank loans	37(d)	446,308	591,352
Loan repayments	37(d)	(260,274)	(644,290)
Loan arrangement fee paid		(18,563)	(10,926)
Dividends paid to non-controlling interests		(14,349)	(25,916)
Reduction of restricted cash	26	192	41,229
Net cash from/(used in) financing activities		153,314	(48,551)
Decrease in cash and cash equivalents		(159,182)	(143,956)
Cash and cash equivalents at 1 January		1,079,340	1,186,178
Exchange adjustment		41,615	37,118
Cash and cash equivalents at 31 December	27	961,773	1,079,340

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The following amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010

In the current year, the Group has adopted the amendments to standards that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2011. The effect of the adoption of the above amendments to standards beginning 1 January 2011 is not material to the Group's results of operations or financial position.

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

HKAS 1 (Amendment) (2)	Presentation of Financial Statements
HKAS 12 (Amendment) (1)	Deferred Tax – Recovery of Underlying Assets
HKAS 19 (Amendment) (2)	Employee Benefits
HKAS 27 (Revised 2011) (2)	Separate Financial Statements
HKAS 28 (Revised) (2)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment) (3)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment) (1)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment) (1)	Financial Instruments: Disclosures – Transfers of Financial Assets

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

HKFRS 7 (Amendment) (2)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9 (4)	Financial Instruments
HKFRS 7 and HKFRS 9 (Amendments) (4)	Mandatory Effective Date and Transitions Disclosures
HKFRS 10 (2)	Consolidated Financial Statements
HKFRS 11 (2)	Joint Arrangements
HKFRS 12 (2)	Disclosures of Interests in Other Entities
HKFRS 13 (2)	Fair Value Measurements
HK(IFRIC) – Int 20 (2)	Stripping Costs in the Production Phase of a Surface Mine

(1) Effective for the Group for annual periods beginning 1 January 2012
(2) Effective for the Group for annual periods beginning 1 January 2013
(3) Effective for the Group for annual periods beginning 1 January 2014
(4) Effective for the Group for annual periods beginning 1 January 2015

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

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries (including those directly or indirectly held or held through nominee arrangement) 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identified net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

1 Principal accounting policies (Continued)

(b) Consolidation (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. 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, investments in subsidiaries are accounted for at cost less impairment (note 1(i)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. The amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 legal or constructive 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 or joint 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

1 Principal accounting policies (Continued)

(f) Financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "advance to an investee company", "cash and cash equivalents" and "restricted cash" in the consolidated statement of financial position.

(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 the investment matures or management intends to dispose it within 12 months of the end of the reporting period.

Regular way 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 subsequently 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.

1 Principal accounting policies (Continued)

(f) Financial assets (Continued)

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity investments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair value of quoted investments is 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.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 historical cost less depreciation and any impairment loss. Properties include leasehold land and buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Properties	over the shorter of the unexpired term of land lease 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%- $33^1/_3$%
Outdoor media assets	5%- 20%
Other assets	10%- $33^1/_3$%

1 Principal accounting policies (Continued)

(g) Fixed assets (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to 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)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses), net in the consolidated income statement.

(h) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1 Principal accounting policies (Continued)

(h) Intangible assets (Continued)

(ii) Other intangible assets

Other intangible assets include concession rights, licence rights and royalties, publishing rights, programme and film rights, software and customer base and technology know-how. Cost of other intangible assets are initially recognised and measured at cost. 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%

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 programme and film rights respectively.

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

Assets that have an indefinite useful life, for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

The Group calculates the amount of impairment as the difference between the recoverable amounts of the associated companies and the jointly controlled entities and their carrying values and recognises the amount adjacent to share of profits/(losses) of the associated companies and jointly controlled entities.

(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.

1 Principal accounting policies (Continued)

(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 (excluding future credit losses that have not been incurred), 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.

(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 trustee 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. 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 consolidated 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 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 obligation.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(i) Pension obligations (Continued)

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.

(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 by using an option-pricing model – Black-Scholes valuation model at the grant date:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or in the case of providing termination benefits as a result of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. 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.

(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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 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.

1 Principal accounting policies (Continued)

(o) Current and deferred taxation (Continued)

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 tax liabilities are not recognised if they arise from the initial recognition of goodwill. 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 for deferred income tax liability 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.

(q) Trade payables

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. 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.

1 Principal accounting policies (Continued)

(r) Contingent liabilities and contingent assets (Continued)

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 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. Sales are recorded net of estimated returns at the time of sale. Accumulated experience is used to estimate and provide for the returns.

Revenue from sale of services is recognised when the services are rendered. Revenue from wireless internet services is recognised as the services are rendered and are recorded based on the gross amounts billed to the mobile phone users given that the Group is the primary obligor to the users with respect to the provision of the wireless services.

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

Dividend income is recognised when the right to receive payment is established.

(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 dollar, 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 other comprehensive income.

1 Principal accounting policies (Continued)

(t) Foreign currency translation (Continued)

(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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. 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 the 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. Exchange differences arising are recognised in equity. For those acquisitions made prior to 1 January 2005, goodwill and fair value adjustments arising on the acquisition are expressed in the acquiring company's functional currency.

(u) Segment reporting

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.

Segment profit/(loss) excludes other material non-cash items, such as provision for impairment, share of profits less losses of jointly controlled entities, share of profits less losses of associated companies and unallocated expenses. Unallocated expenses represent corporate expenses, including net finance costs, 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 but 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.

1 Principal accounting policies (Continued)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(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 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, currency risk and price 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 banks with good credit ratings 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.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

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 amounts, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 December 2011			
Group			
Bank borrowings, including interest payable	194,693	75,864	1,983,072
Trade and other payables	828,874	–	–
Company			
Bank borrowings, including interest payable	–	–	1,804,357
Amounts due to subsidiaries	637,886	–	–
Other payables	58,437	–	–
At 31 December 2010			
Group			
Bank borrowings, including interest payable	185,751	1,570,889	264,191
Trade and other payables	1,223,340	–	–
Company			
Bank borrowings, including interest payable	–	1,496,471	–
Other payables	56,131	–	–

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Cash flow interest rate risk

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 this risk originates from the interest-bearing borrowings and interest-bearing bank deposits. Borrowings issued at variable rates and bank deposits placed at variable rates expose the Group to cash flow interest rate risk.

At 31 December 2011, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been HK$21,319,000 higher/lower (2010: HK$19,514,000 higher/lower on pre-tax loss), mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2011, if interest rates on all interest-bearing bank deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been HK$9,639,000 lower/higher (2010: HK$10,814,000 lower/higher on pre-tax loss) due to higher/lower interest income earned on market interest rates.

Management 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 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 2011, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax loss for those companies for the year would have been HK$11,000 lower/higher (2010: HK$491,000 lower/higher on pre-tax loss), mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and bank balances, trade and other receivables, and trade and other payables. Loss in 2011 is less sensitive to movement in currency exchange rate than that in 2010 because the amount of RMB denominated trade and other payables held by operating companies in Hong Kong had decreased.

For companies with RMB as their functional currency

At 31 December 2011, if HK$/US$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for those companies for the year would have been HK$1,388,000 higher/lower (2010: HK$1,638,000 higher/lower on pre-tax loss), mainly as a result of foreign exchange losses/gains on translation of HK$/US$ denominated cash and bank balances, trade and other receivables, and trade and other payables. Loss in 2011 is less sensitive to movement in currency exchange rate than that in 2010 because the amount of HK$/US$ denominated trade and other receivables and cash and bank balances held by operating companies in the PRC had decreased.

For companies with NT$ as their functional currency

At 31 December 2011, 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$32,000 lower/higher (2010: HK$17,000 lower/higher on pre-tax profit), mainly as a result of foreign exchange losses/gains on translation of HK$/US$ denominated cash and bank balances. Profit in 2011 is more sensitive to movement in currency exchange rate than that in 2010 because the amount of HK$/US$ 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, currency 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 in income statement 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 is 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.

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 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 2011 and 2010 were as follows:

	2011 HK$'000	2010 HK$'000
Short-term bank loans (note 29)	118,082	109,032
Long-term bank loans (note 30)	2,013,816	1,842,400
Total borrowings	2,131,898	1,951,432
Total equity	1,455,774	1,871,911
Total capital	3,587,672	3,823,343
Gearing ratio	59%	51%

The increase in the gearing ratio in 2011 was mainly due to increase in bank loans to finance the working capital requirements and lower equity after provision for goodwill impairment.

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The Group has certain covenants with banks for the banking facilities granted. Management regularly monitors 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)

The financial instruments that are measured at fair value require 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.

	Level 1 HK$'000
At 31 December 2011	
Assets	
Available-for-sale financial assets – Equity securities	5,410
Total assets	5,410
Total liabilities	–
At 31 December 2010	
Assets	
Available-for-sale financial assets – Equity securities	6,861
Total assets	6,861
Total liabilities	–

3 Critical accounting estimates and judgements

Estimates and judgements 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 consolidated 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).

Impairment charges of HK$421,201,000 arose in CGUs of the Internet Group during the year (2010: HK$2,614,000 in the Outdoor Media Group), resulting in the carrying amounts of those CGUs being written down to their recoverable amounts. For sensitivity analysis, if a 1% annual sales 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$122,370,000.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement 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. Please refer to note 39 for details of the contingent liabilities on certain tax petitions/appeals.

3 Critical accounting estimates and judgements (Continued)

(iii) Provision for sales return

Revenue 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 2011, the provision for sales return of the Group amounted to HK$41,674,000 (2010: HK$41,205,000). 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 results 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 judgement. A considerable amount of judgement 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 2011 was HK$93,506,000 (2010: HK$95,909,000). If the financial conditions of customers of the Group were to change, resulting in an impairment or improvement in their abilities to make payments, either additional provision or reversal of previously made provision may be required.

4 Segment information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 124 to 128.

The following revenues are recognised during the year:

	2011 HK$'000	2010 HK$'000
– Provision of wireless internet services, online advertising, commercial enterprise solutions and internet access services	727,452	1,031,963
– Merchandise sales through internet-based marketplace	–	1,834
– Magazine and book circulation, sales of publication advertising and other related products	1,051,584	947,492
– Advertising sales of outdoor media assets and provision of outdoor media services	331,112	275,348
– Advertising sales in relation to satellite television channel operations, production of broadcasting programmes and provision for media sales, event production and marketing services	216,212	207,590
Consolidated revenues	2,326,360	2,464,227

4 Segment information (Continued)

The Group has five reportable operating segments:

- Internet Group – provision of wireless internet services, online advertising, commercial enterprise solutions and internet access services.
- E-Commerce Group – merchandise sales through internet-based marketplace.
- 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, production of broadcasting programmes and provision of media sales, event production and marketing services.

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

4 Segment information (Continued)

The segment results for the year ended 31 December 2011 are as follows:

	Year ended 31 December 2011					
	Internet Group HK$'000	E-Commerce Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Gross segment revenue	727,452	–	1,051,584	331,112	217,142	2,327,290
Inter-segment revenue	–	–	–	–	(930)	(930)
Net revenue from external customers	727,452	–	1,051,584	331,112	216,212	2,326,360
Segment profit/(loss) before amortisation and depreciation	(46,767)	(51,826)	225,848	16,419	(38,958)	104,716
Amortisation and depreciation	(11,610)	(3,324)	(122,619)	(37,896)	(42,875)	(218,324)
Segment profit/(loss)	(58,377)	(55,150)	103,229	(21,477)	(81,833)	(113,608)
Other material non-cash items:						
Write back of consideration payable on a prior year's acquisition	154,017	–	–	–	–	154,017
Provision for impairment of goodwill	(421,201)	–	–	–	–	(421,201)
Share of profits less losses of jointly controlled entities	–	(11,572)	–	–	–	(11,572)
Share of profits less losses of associated companies	469	–	(3,885)	–	–	(3,416)
	(266,715)	(11,572)	(3,885)	–	–	(282,172)
Finance costs:						
Finance income (note a)	16,029	39	22,477	2,424	74	41,043
Finance expenses (note a)	–	–	(14,830)	–	(20,797)	(35,627)
	16,029	39	7,647	2,424	(20,723)	5,416
Segment profit/(loss) before taxation	(309,063)	(66,683)	106,991	(19,053)	(102,556)	(390,364)
Unallocated corporate expenses						(107,880)
Loss before taxation						(498,244)
Expenditure for operating segment non-current assets	9,160	1,181	134,391	31,355	49,017	225,104
Unallocated expenditure for non-current assets						955
Total expenditure for non-current assets						226,059

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK$21,820,000 and HK$21,713,000 were included in the finance income and finance expenses respectively.

4 Segment information (Continued)

The segment assets and liabilities at 31 December 2011 are as follows:

	As at 31 December 2011					
	Internet Group HK$'000	E-Commerce Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Segment assets	2,275,238	161,797	1,275,856	609,842	201,293	4,524,026
Interests in jointly controlled entities	–	(117,523)	–	–	–	(117,523)
Interests in associated companies	4,609	–	217,144	–	–	221,753
Unallocated assets						103,798
Total assets						4,732,054
Segment liabilities	329,799	2,004	415,226	150,554	71,802	969,385
Unallocated liabilities:						
Corporate liabilities						114,267
Current taxation						43,080
Deferred taxation						17,650
Borrowings						2,131,898
Total liabilities						3,276,280

4 Segment information (Continued)

The segment results for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010					
	Internet Group HK$'000	E-Commerce Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Gross segment revenue	1,031,963	1,834	947,492	275,348	208,738	2,465,375
Inter-segment revenue	–	–	–	–	(1,148)	(1,148)
Net revenue from external customers	1,031,963	1,834	947,492	275,348	207,590	2,464,227
Segment profit/(loss) before amortisation and depreciation	32,430	(30,520)	200,660	28,355	(29,500)	201,425
Amortisation and depreciation	(14,593)	(1,879)	(99,378)	(50,456)	(33,878)	(200,184)
Segment profit/(loss)	17,837	(32,399)	101,282	(22,101)	(63,378)	1,241
Other material non-cash items:						
Provision for impairment of goodwill and other assets	–	–	–	(11,514)	–	(11,514)
Share of losses of jointly controlled entities	(255)	(22,192)	–	–	–	(22,447)
Share of profits less losses of associated companies	949	–	4,749	–	–	5,698
	694	(22,192)	4,749	(11,514)	–	(28,263)
Finance costs:						
Finance income (note a)	12,671	5	25,114	2,719	102	40,611
Finance expenses (note a)	–	–	(17,944)	(569)	(17,986)	(36,499)
	12,671	5	7,170	2,150	(17,884)	4,112
Segment profit/(loss) before taxation	31,202	(54,586)	113,201	(31,465)	(81,262)	(22,910)
Unallocated corporate expenses						(115,280)
Loss before taxation						(138,190)
Expenditure for operating segment non-current assets	11,669	9,774	134,805	33,543	36,734	226,525
Unallocated expenditure for non-current assets						352
Total expenditure for non-current assets						226,877

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK$25,493,000 and HK$19,423,000 were included in the finance income and finance expenses respectively.

4 Segment information (Continued)

The segment assets and liabilities at 31 December 2010 are as follows:

	As at 31 December 2010					
	Internet Group HK$'000	E-Commerce Group HK$'000	Publishing Group HK$'000	Outdoor Media Group HK$'000	Television and Entertainment Group HK$'000	Total HK$'000
Segment assets	2,830,779	25,874	1,243,478	726,167	169,444	4,995,742
Interests in jointly controlled entities	–	(132,651)	–	–	–	(132,651)
Interests in associated companies	3,722	–	227,014	–	–	230,736
Unallocated assets						46,435
Total assets						5,140,262
Segment liabilities	517,567	11,739	401,565	158,023	64,125	1,153,019
Unallocated liabilities:						
Corporate liabilities						105,514
Current taxation						45,937
Deferred taxation						12,449
Borrowings						1,951,432
Total liabilities						3,268,351

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.

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

Hong Kong – Internet Group, Publishing Group and Television and Entertainment Group

Mainland China – Internet Group, E-Commerce Group, Publishing Group, Outdoor Media Group and Television and Entertainment Group

Taiwan and other Asian country – Publishing Group

4 Segment information (Continued)

There are no significant sales between the geographical segments.

	Revenue		Non-current assets other than deferred tax assets	
	Year ended 31 December 2011 Consolidated Total HK$'000	Year ended 31 December 2010 Consolidated Total HK$'000	Year ended 31 December 2011 Consolidated Total HK$'000	Year ended 31 December 2010 Consolidated Total HK$'000
Hong Kong	15,705	17,096	14,818	7,798
Mainland China	1,291,218	1,527,744	2,118,023	2,463,770
Taiwan and other Asian country	1,019,437	919,387	629,786	619,567
	2,326,360	2,464,227	2,762,627	3,091,135

Revenue is allocated based on the country in which the business is operated 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 of the Internet Group of HK$421,201,000. This provision was made as a result of the decline in operating environment and overall lower industry valuations of the Group's wireless value-added services and traditional portal operation in Mainland China (2010: provision for impairment of goodwill of HK$2,614,000 and available-for-sale financial assets of HK$8,900,000 relating to the Outdoor Media Group).

6 Operating loss

Operating loss is stated after charging/crediting the following:

	2011 HK$'000	2010 HK$'000
Charging:		
Mobile operators and revenue sharing costs	412,608	645,925
Depreciation (note 14)	57,180	64,888
Amortisation of other intangible assets (note 16)	162,225	136,135
Cost of inventories sold (note 24)	561,337	540,831
Staff costs (including directors' emoluments) (note 12)	600,294	561,434
Operating leases in respect of:		
– Land and buildings	63,949	59,943
– Other assets	127,815	105,721
Auditors' remuneration	12,805	10,141
Provision for impairment of trade receivables, net (note 25(c))	910	5,868
Provision for inventories	15,820	11,909
Loss on disposal of fixed assets	330	182
Crediting:		
Dividend income from available-for-sale financial assets	6,153	494
Gain on disposal of available-for-sale financial assets	–	5,402
Gain on disposal of a subsidiary (note 37(b))	–	7,666
Exchange gain, net	19,792	24,279

7 Finance costs, net

	2011 HK$'000	2010 HK$'000
Interest and borrowing costs on bank loans	57,523	58,574
Interest on other loans	1,897	1,900
	59,420	60,474
Less: Bank interest income	(19,754)	(15,285)
	39,666	45,189

8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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:

	2011 HK$'000	2010 HK$'000
Overseas taxation	33,146	31,942
Under/(over)-provision in prior years	502	(321)
Deferred taxation (note 32(c))	(5,973)	7,312
Taxation charge	27,675	38,933

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 are as follows:

	2011 HK$'000	2010 HK$'000
Loss before taxation	(498,244)	(138,190)
Calculated at a taxation rate of 16.5% (2010: 16.5%)	(82,210)	(22,801)
Effect of different applicable taxation rates in other countries	(3,284)	(14,816)
Income not subject to taxation	(47,782)	(19,821)
Expenses not deductible for taxation purposes	95,372	27,933
Utilisation of previously unrecognised tax losses	(10,882)	(8,159)
Recognition of previously unrecognised temporary differences	(6,661)	(6,737)
Tax losses not recognised	47,367	57,283
Temporary differences not recognised	18,611	13,248
Tax effect of results of associated companies and jointly controlled entities	2,473	2,764
Withholding tax	14,169	5,305
Under/(over)-provision in prior years	502	(321)
Tax rate adjustment	–	5,055
Taxation charge	27,675	38,933

9 Loss attributable to equity holders of the Company

The loss of the Company is HK$98,903,000 (2010: HK$27,395,000) and is included in determining the loss attributable to 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 (2010: 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$498,270,000 (2010: HK$167,952,000) and the weighted average of 3,893,270,558 (2010: 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 2011 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 (2010: Same).

12 Staff costs, including directors' emoluments

	2011 HK$'000	2010 HK$'000
Wages and salaries	577,686	541,829
Pension costs – defined contribution plans	20,052	16,728
Pension costs – defined benefit plans (note 31(b))	2,556	2,877
	600,294	561,434

13 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2011 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
Executive directors					
Mr. Yeung Kwok Mung	50	5,225	368	355	5,998
Ms. Mak Soek Fun, Angela	50	4,140	240	273	4,703
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 director and member 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	9,365	608	628	11,301

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

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2010 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
Executive directors					
Mr. Yeung Kwok Mung	50	5,000	424	338	5,812
Ms. Mak Soek Fun, Angela	50	3,875	106	253	4,284
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 director and member 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	8,875	530	591	10,696

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 (2010: Nil).

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2011 (2010: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2010: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,888	4,219
Discretionary bonuses	4,244	5,108
Contributions to retirement benefit schemes	198	53
	9,330	9,380

The emoluments of these three (2010: three) individuals fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	1	1
HK$4,000,001 – HK$4,500,000	–	1
HK$4,500,001 – HK$5,000,000	1	–

14 Fixed assets

	Group						
	Properties HK$'000	Leasehold improve-ments HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2010	15,930	54,425	421,160	190,097	76,561	3,369	761,542
Exchange adjustment	488	1,274	12,869	3,905	1,446	30	20,012
Additions	–	2,994	30,461	3,032	5,165	15,440	57,092
Transfer between categories	–	363	926	5,390	–	(6,679)	–
Disposals	–	(638)	(24,491)	(42,837)	(5,332)	–	(73,298)
Disposal of a subsidiary (note 37(b))	–	(1,195)	(205)	–	(78)	–	(1,478)
Deconsolidation of subsidiaries (note 37(c))	–	(254)	(430)	(5,361)	(205)	–	(6,250)
At 31 December 2010	16,418	56,969	440,290	154,226	77,557	12,160	757,620
At 1 January 2011	16,418	56,969	440,290	154,226	77,557	12,160	757,620
Exchange adjustment	775	1,216	17,860	7,464	1,988	156	29,459
Additions	8,968	1,796	32,640	18,681	4,787	3,612	70,484
Transfer between categories	–	–	–	6,301	–	(6,301)	–
Disposals	–	(2,982)	(3,274)	(17,685)	(3,381)	(485)	(27,807)
At 31 December 2011	26,161	56,999	487,516	168,987	80,951	9,142	829,756
Accumulated depreciation and impairment losses							
At 1 January 2010	5,573	43,016	382,108	110,891	66,993	–	608,581
Exchange adjustment	173	949	11,592	2,232	1,227	–	16,173
Depreciation charge for the year	907	4,611	24,600	30,543	4,227	–	64,888
Disposals	–	(638)	(23,869)	(42,389)	(5,040)	–	(71,936)
Disposal of a subsidiary (note 37(b))	–	(1,195)	(203)	–	(69)	–	(1,467)
Deconsolidation of subsidiaries (note 37(c))	–	(135)	(283)	(1,850)	(120)	–	(2,388)
At 31 December 2010	6,653	46,608	393,945	99,427	67,218	–	613,851
At 1 January 2011	6,653	46,608	393,945	99,427	67,218	–	613,851
Exchange adjustment	343	1,010	17,103	4,983	1,803	–	25,242
Depreciation charge for the year	836	4,088	25,575	22,921	3,760	–	57,180
Disposals	–	(2,517)	(3,211)	(17,636)	(3,143)	–	(26,507)
At 31 December 2011	7,832	49,189	433,412	109,695	69,638	–	669,766
Net book value							
At 31 December 2011	18,329	7,810	54,104	59,292	11,313	9,142	159,990
At 31 December 2010	9,765	10,361	46,345	54,799	10,339	12,160	143,769

14 Fixed assets (Continued)

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

	2011 HK$'000	2010 HK$'000
Outside Hong Kong, held on		
Leases of over 50 years	18,317	9,728
Leases of between 10 to 50 years	12	37
	18,329	9,765

15 Goodwill

	Group	
	2011 HK$'000	2010 HK$'000
Net book value, at 1 January	2,682,513	2,643,106
Exchange adjustment	94,636	48,141
Provision for impairment (note 5)	(421,201)	(2,614)
Deconsolidation of a subsidiary (note 37(c))	–	(6,120)
Net book value, at 31 December	2,355,948	2,682,513
At 31 December:		
Cost	4,679,050	4,552,408
Accumulated amortisation and impairment	(2,323,102)	(1,869,895)
Net book value	2,355,948	2,682,513

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.

	2011			2010		
	Mainland China HK$'000	Taiwan and other Asian country HK$'000	Total HK$'000	Mainland China HK$'000	Taiwan and other Asian country HK$'000	Total HK$'000
Internet	1,365,840	–	1,365,840	1,699,867	–	1,699,867
E-Commerce	146,181	–	146,181	139,050	–	139,050
Publishing	116	509,508	509,624	116	509,601	509,717
Outdoor Media	264,197	–	264,197	263,773	–	263,773
Television and Entertainment	70,106	–	70,106	70,106	–	70,106
	1,846,440	509,508	2,355,948	2,172,912	509,601	2,682,513

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 or CGU in an arm's length transaction between knowledgeable and willing parties, less the cost of disposal. Fair value less costs to sell can be determined based on the combination of the Income Approach, Market Approach and Adjusted Net Asset Value Method. Discounted Cash Flow Analysis is used in the Income Approach; combination of the Guideline Companies Method and Guideline Transactions Method is used in the Market Approach; and the asset based approach is used by summing up the individual components of assets and liabilities in the Adjusted Net Asset Value Method. 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 2011 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 business and the history of the enterprise since its inception
- The economic outlook in general and the condition and outlook of the specific industry in particular
- The book value of the stock and the financial condition of the business
- The earnings capacity of the CGU
- The dividend paying capacity
- Whether or not the enterprise has goodwill or other intangible value
- Sales of the stock and the size of the block of stock to be valued
- The market price of stocks of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter

15 Goodwill (Continued)

(a) Impairment tests for goodwill (Continued)

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 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;
– future exchange rates and interest rates will not differ materially from those prevailing market expectations;
– 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	E-Commerce Group	CGUs in Mainland China	CGUs in Taiwan	Outdoor Media Group	Television and Entertainment Group
Gross margin[1]	9%-24%	-81%-84%	2%-8%	38%-51%	47%	15%-61%	14%-55%
Growth rate[2]	5%	5%	5%	1%	1%	1%	1%
Discount rate[3]	22%	17%-19%	17%	7%	7%	7%	8%
Sales multiples[4]	1.15-1.83	1.45-3.10	–	–	–	–	–
EBIT multiples[4]	13.20-14.70	5.00-24.00	–	–	–	–	–

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 respective business segments.

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 and EBIT multiples used were derived with reference to the other comparable companies/transactions in the industry.

16 Other intangible assets

	Concession rights HK$'000	Licence rights and royalties HK$'000	Publishing rights HK$'000	Programme and film rights HK$'000	Software HK$'000	Customer base and technical know-how HK$'000	Total HK$'000
Cost							
At 1 January 2010	103,883	10,931	102,873	226,776	11,842	27,989	484,294
Exchange adjustment	2,760	288	8,587	–	312	962	12,909
Additions	13,800	–	113,091	33,836	–	9,058	169,785
Deconsolidation of subsidiaries (note 37(c))	(8,088)	–	–	–	–	–	(8,088)
Disposals	–	–	(85,559)	(167,918)	–	–	(253,477)
At 31 December 2010	112,355	11,219	138,992	92,694	12,154	38,009	405,423
At 1 January 2011	112,355	11,219	138,992	92,694	12,154	38,009	405,423
Exchange adjustment	5,156	95	(1,870)	953	104	1,099	5,537
Additions	7,860	–	101,766	45,622	–	327	155,575
Consideration adjustment on prior year's addition	(8,856)	–	–	–	–	–	(8,856)
Write off	(28,015)	(11,314)	(98,048)	–	(12,258)	(20,258)	(169,893)
At 31 December 2011	88,500	–	140,840	139,269	–	19,177	387,786
Accumulated amortisation							
At 1 January 2010	66,542	10,931	69,146	220,352	11,842	23,113	401,926
Exchange adjustment	1,702	288	8,671	272	312	624	11,869
Amortisation charge for the year	15,844	–	86,483	32,617	–	1,191	136,135
Deconsolidation of subsidiaries (note 37(c))	(3,237)	–	–	–	–	–	(3,237)
Disposals	–	–	(85,559)	(167,918)	–	–	(253,477)
At 31 December 2010	80,851	11,219	78,741	85,323	12,154	24,928	293,216
At 1 January 2011	80,851	11,219	78,741	85,323	12,154	24,928	293,216
Exchange adjustment	3,898	95	(3,127)	818	104	481	2,269
Amortisation charge for the year	11,344	–	106,165	41,802	–	2,914	162,225
Write off	(28,015)	(11,314)	(98,048)	–	(12,258)	(20,258)	(169,893)
At 31 December 2011	68,078	–	83,731	127,943	–	8,065	287,817
Net book value							
At 31 December 2011	20,422	–	57,109	11,326	–	11,112	99,969
At 31 December 2010	31,504	–	60,251	7,371	–	13,081	112,207

Of the total amortisation, HK$159,311,000 (2010: HK$134,944,000) and HK$2,914,000 (2010: HK$1,191,000) were included in "cost of sales" and "other operating expenses" respectively.

17 Interests in subsidiaries

	Company	
	2011	2010
	HK$'000	HK$'000
Investments at cost – unlisted shares	2,259,567	2,259,567
Less: Provision for impairment	(505,827)	(424,120)
	1,753,740	1,835,447

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

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand except HK$789,928,000 (2010: HK$812,054,000) bearing interest rate at primary Commercial Paper Fixing Rate ("CP rate") plus 0.7584% per annum (2010: Same).

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 2011 is set out on pages 124 to 128.

18 Interests in jointly controlled entities

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net liabilities – unlisted shares	(257,923)	(246,227)
Loans to a jointly controlled entity	140,400	113,576
	(117,523)	(132,651)

18 Interests in jointly controlled entities (Continued)

Notes:

(a) The loans to a jointly controlled entity as at 31 December 2011 are unsecured, interest bearing at US$ London Interbank Offered Rate plus 1.3% per annum and are repayable on the occurrence of certain clauses specified in the joint venture deed. Details are set out in Note 40(b).

(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, the Group had interests in the following significant jointly controlled entities:

Name	Place of incorporation and kind of legal entity	Registered capital	Effective interest held
2011			
TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	US$50,000	45.9%
Beijing Ule E-Commerce Company Limited	Mainland China, limited liability company	RMB6,000,000	44.1%
Shanghai Ule Trading Company Limited	Mainland China, limited liability company	RMB2,000,000	44.1%
2010			
TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	US$50,000	45.9%

Summarised financial information as below:

	2011 HK$'000	2010 HK$'000
Current assets	100,458	39,268
Non-current assets	148	1,126
Current liabilities	120,790	76,082
Non-current liabilities	150,762	117,180
Income	155,920	2,936
Expenses	176,919	46,558

19 Interests in associated companies

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	230,736	222,432
Share of profits less losses	(3,416)	5,698
Dividend paid	(10,021)	(764)
Exchange adjustment	4,454	3,370
At 31 December	221,753	230,736
Included in the balances:		
Goodwill (note (a))		
At 1 January	137,929	137,029
Exchange adjustment	1,800	900
At 31 December	139,729	137,929
Other intangible assets (note (a))		
Cost	65,156	65,156
Accumulated amortisation	(31,032)	(28,320)
	34,124	36,836

Amortisation of other intangible assets included in interests in associated companies amounted to approximately HK$2,712,000 for the current year (2010: Same).

Notes:

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

(b) The other intangible assets arising from the acquisition mainly comprised of 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.

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

Name	Place of incorporation and kind of legal entity	Registered capital	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Net profit /(loss) HK$'000	Effective interest held
2011							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	102,658	22,964	77,838	(5,361)	49%
2010							
China Popular Computer Week Management Company Limited	Mainland China, limited liability company	RMB30,000,000	131,688	33,617	102,880	12,119	49%

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 2011			
Available-for-sale financial assets (note 21)	–	12,763	12,763
Long-term receivables (note 23)	13,340	–	13,340
Trade and other receivables excluding prepayments (note 25)	734,491	–	734,491
Advance to an investee company (note 22)	2,172	–	2,172
Cash and cash equivalents (note 27)	961,773	–	961,773
Restricted cash (note 26)	3,766	–	3,766
	1,715,542	12,763	1,728,305
31 December 2010			
Available-for-sale financial assets (note 21)	–	28,780	28,780
Trade and other receivables excluding prepayments (note 25)	836,240	–	836,240
Advance to an investee company (note 22)	2,172	–	2,172
Cash and cash equivalents (note 27)	1,079,340	–	1,079,340
Restricted cash (note 26)	3,958	–	3,958
	1,921,710	28,780	1,950,490

20 Financial instruments by category (Continued)

Group (Continued)

	Other financial liabilities HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2011	
Short-term bank loans (note 29)	118,082
Long-term bank loans (note 30)	2,013,816
Trade and other payables excluding non-financial liabilities (note 28)	830,391
	2,962,289
31 December 2010	
Short-term bank loans (note 29)	109,032
Long-term bank loans (note 30)	1,842,400
Trade and other payables excluding non-financial liabilities (note 28)	1,226,149
	3,177,581

Company

	Loans and receivables	
	2011 HK$'000	2010 HK$'000
Assets as per statement of financial position		
Cash and cash equivalents (note 27)	354	361
Other receivables (note 25)	6,211	8,345
Amounts due from subsidiaries (note 17)	1,945,577	1,719,760
	1,952,142	1,728,466

	Other financial liabilities	
	2011 HK$'000	2010 HK$'000
Liabilities as per statement of financial position		
Long-term bank loans (note 30)	1,700,000	1,453,000
Other payables (note 28)	59,487	58,452
Amounts due to subsidiaries (note 17)	637,886	639,286
	2,397,373	2,150,738

21 Available-for-sale financial assets

	Group 2011 HK$'000	Group 2010 HK$'000
Unlisted equity securities		
At 1 January	28,780	27,682
Exchange adjustment	(60)	837
Net (losses)/gains transferred to equity	(1,453)	669
Deconsolidation of subsidiaries (note 37(c))	–	10,901
Disposal	(14,504)	(11,309)
At 31 December	12,763	28,780
Less: non-current portion	(12,763)	(28,780)
Current portion	–	–

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

	Group 2011 HK$'000	Group 2010 HK$'000
Unlisted equity securities outside Hong Kong	12,763	28,780

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

	2011 HK$'000	2010 HK$'000
HK$	5,410	6,861
NT$	5,603	5,665
RMB	1,750	16,254
	12,763	28,780

Certain unlisted equity securities with carrying amount of approximately HK$7,353,000 are stated at cost because they do not have the quoted market price and the fair value cannot be measured reliably. The carrying amount of the asset disposed in the current year was HK$14,504,000 and the disposal resulted in no gain or loss.

During the year, none of the available-for-sale financial assets is either past due or impaired (2010: Nil).

22 Advance to an investee company

	Group	
	2011 HK$'000	2010 HK$'000
Advance to an investee company	2,172	2,172

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 2011 is interest-free, unsecured and repayable on demand (2010: Same). The carrying amount of the advance to an investee company approximates its fair value.

The maximum exposure to credit risk at the reporting date is its carrying value.

23 Other non-current assets

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Long-term receivables	13,340	13,508	–	–
Deferred expenses	14,215	10,101	9,730	3,967
	27,555	23,609	9,730	3,967

The maximum exposure to credit risk at the reporting date is their carrying values.

24 Inventories

	Group	
	2011 HK$'000	2010 HK$'000
Merchandise	11,283	10,480
Finished goods	81,204	78,418
Work in progress	8,575	9,456
	101,062	98,354

The cost of inventories recognised as an expense and included in the cost of sales amounted to HK$561,337,000 (2010: HK$540,831,000).

25 Trade and other receivables

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade receivables (note c)	552,983	538,364	–	–
Prepayments, deposits and other receivables (note d)	307,968	297,876	6,211	8,345
	860,951	836,240	6,211	8,345

(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.

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
HK$	29,437	29,980	6,211	8,345
US$	1,668	6,181	–	–
RMB	499,609	501,593	–	–
NT$	314,863	281,459	–	–
Others	15,374	17,027	–	–
	860,951	836,240	6,211	8,345

(c) As at 31 December 2011 and 2010, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Current	195,782	168,424
31-60 days	130,766	132,085
61-90 days	81,572	89,129
Over 90 days	238,369	244,635
	646,489	634,273
Less: Provision for impairment	(93,506)	(95,909)
	552,983	538,364

25 Trade and other receivables (Continued)

(c) (Continued)

	Group 2011 HK$'000	Group 2010 HK$'000
Represented by:		
Receivables from related companies	**13,033**	4,231
Receivables from third parties	**539,950**	534,133
	552,983	538,364

Total trade receivables from related companies beneficially owned by substantial shareholders of the Company, Hutchison Whampoa Limited ("HWL") and Cheung Kong (Holdings) Limited ("CKH"), amounted to HK$12,812,000 (2010: HK$4,020,000). Trade receivables from non-controlling interests of subsidiaries of the Group amounted to HK$221,000 (2010: HK$211,000). These are related to sales of goods and services as shown in note 41(a).

The Group has assessed if there is any impairment on an individual customer basis 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 2011, the amount of the provision for impairment of trade receivables was HK$93,506,000 (2010: HK$95,909,000).

As at 31 December 2011, trade receivables of HK$144,863,000 (2010: HK$148,726,000) 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:

	Group 2011 HK$'000	Group 2010 HK$'000
Overdue by:		
Up to 3 months	**93,929**	80,450
Over 3 months	**50,934**	68,276
	144,863	148,726

25 Trade and other receivables (Continued)

(c) (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	95,909	103,950
Provision for receivable impairment	910	5,868
Amount written off during the year	(6,448)	(10,055)
Disposal of a subsidiary	–	(761)
Deconsolidation of subsidiaries	–	(5,117)
Exchange adjustment	3,135	2,024
Balance at end of the year	93,506	95,909

As at 31 December 2011 and 2010, the ageing analyses of the Group's impaired trade receivables were as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Over 90 days	93,506	95,909

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 other classes within trade and other receivables do not contain impaired assets.

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.

(d) The Group's other receivables include amounts due from jointly controlled entities, associated companies and related companies of HK$48,258,000 (2010: HK$37,787,000), HK$600,000 (2010: HK$397,000) and HK$20,946,000 (2010: HK$19,986,000) respectively. The total balances due from related companies beneficially owned by the substantial shareholders of the Company, HWL, CKH and Cranwood amounted to HK$1,063,000 (2010: HK$1,018,000). The balances due from non-controlling interests of subsidiaries of the Group amounted to HK$19,883,000 (2010: HK$18,968,000).

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 Group does not hold any collateral as security.

26 Restricted cash

At 31 December 2011, NT$14,670,000 (approximately HK$3,766,000) (2010: NT$15,246,000 or approximately HK$3,958,000) were mainly pledged to certain publishing distributors in Taiwan as retainer fee for potential sales return.

The maximum exposure to credit risk at the reporting date is HK$3,766,000 (2010: HK$3,958,000).

27 Cash and cash equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash on hand	1,672	1,893	–	–
Cash at bank	960,101	1,077,447	354	361
	961,773	1,079,340	354	361

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
HK$	11,298	13,962	–	16
US$	33,551	34,389	354	345
RMB	761,830	851,417	–	–
NT$	154,409	179,364	–	–
Others	685	208	–	–
	961,773	1,079,340	354	361
Maximum exposure to credit risk	960,101	1,077,447	354	361

28 Trade and other payables

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables (note b)	295,259	319,787	–	–
Other payables and accruals (note c)	753,102	906,362	59,487	58,452
	1,048,361	1,226,149	59,487	58,452

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

(b) As at 31 December 2011 and 2010, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Current	116,215	101,460
31-60 days	35,846	47,170
61-90 days	31,576	27,951
Over 90 days	111,622	143,206
	295,259	319,787

	Group	
	2011 HK$'000	2010 HK$'000
Represented by:		
Payable to related companies	1,155	1,513
Payable to third parties	294,104	318,274
	295,259	319,787

As at 31 December 2011, there was no trade payables to related companies beneficially owned by the substantial shareholder of the Company, HWL (2010: HK$358,000). The balances due to non-controlling interests of subsidiaries of the Group amounted to HK$1,155,000 (2010: HK$1,155,000). These are related to purchases of goods and services as shown in note 41(b).

28 Trade and other payables (Continued)

(c) The Group's other payables include amounts due to jointly controlled entities and related companies of HK$34,201,000 (2010: HK$23,068,000) and HK$51,252,000 (2010: HK$53,101,000) respectively. The total balances due to related companies beneficially owned by the substantial shareholders of the Company, HWL and Cranwood, amounted to HK$44,876,000 (2010: HK$43,706,000). The balances due to non-controlling interests of subsidiaries of the Group amounted to HK$6,376,000 (2010: HK$9,395,000).

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

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**97,836**	91,437	**14,592**	15,747
US$	**8,924**	5,227	**–**	–
RMB	**498,872**	684,259	**44,895**	42,705
NT$	**370,474**	353,444	**–**	–
Others	**72,255**	91,782	**–**	–
	1,048,361	1,226,149	**59,487**	58,452

29 Short-term bank loans

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured	**118,082**	109,032	**–**	–

The bank loans are denominated in NT$.

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

30 Long-term bank loans

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Unsecured	2,013,816	1,842,400	1,700,000	1,453,000
Less: current portion	(73,160)	(72,039)	–	–
	1,940,656	1,770,361	1,700,000	1,453,000
The bank loans are repayable:				
Within one year	73,160	72,039	–	–
In the second year	73,160	1,526,986	–	1,453,000
In the third to fifth year	1,867,496	243,375	1,700,000	–
Wholly repayable within 5 years	2,013,816	1,842,400	1,700,000	1,453,000
The bank loans are denominated in the following currencies:				
HK$	1,700,000	1,453,000	1,700,000	1,453,000
NT$	313,816	389,400	–	–
	2,013,816	1,842,400	1,700,000	1,453,000

These long-term bank loans are interest bearing at prevailing market rates ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.60% to CP rate plus 0.7% per annum (2010: HIBOR plus 1.35% to CP rate plus 1.1%). 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	
	2011 HK$'000	2010 HK$'000
Present value of funded obligations (note c)	66,545	63,018
Fair value of plan assets (note d)	(31,276)	(30,679)
Unrecognised prior service cost	22	45
Recognised in the consolidated statement of financial position	35,291	32,384
Represented by:		
Pension obligations	35,291	32,384

	2011 HK$'000	2010 HK$'000
Actuarial loss recognised in the consolidated statement of comprehensive income ("SOCI") in the year	(2,747)	(2,801)
Cumulative actuarial (losses)/gains recognised in the SOCI	(736)	2,011

31 Pension assets and obligations (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Current service cost	2,506	2,758
Interest cost	1,206	1,370
Expected return on plan assets	(1,133)	(1,229)
Others	(23)	(22)
Total, included in staff costs (note 12)	2,556	2,877

The actual return on plan assets was a gain of HK$30,000 (2010: HK$1,163,000).

Of the total charges, HK$217,000 (2010: HK$298,000), HK$217,000 (2010: HK$267,000), HK$1,403,000 (2010: HK$1,441,000) and HK$719,000 (2010: HK$871,000) were included in "cost of sales", "selling and marketing expenses", "administrative expenses" and "other operating expenses" respectively.

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

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	63,018	56,973
Exchange adjustment	(577)	3,884
Current service cost	2,506	2,758
Interest cost	1,206	1,370
Actuarial loss	1,644	2,735
Others	(1,252)	(4,702)
At 31 December (note a)	66,545	63,018

31 Pension assets and obligations (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	30,679	30,889
Exchange adjustment	(225)	1,805
Expected return on plan assets	1,133	1,229
Actuarial loss	(1,103)	(66)
Contribution by employer	2,027	1,498
Others	(1,235)	(4,676)
At 31 December (note a)	31,276	30,679

The estimated contribution by the Group for the year 2012 will be amounted to HK$2,264,000.

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

	Group	
	2011	2010
Cash/Treasury	75%	74%
Equities	19%	20%
Bonds	6%	6%
	100%	100%

The principal actuarial assumptions used are as follows:

	Group	
	2011	2010
Discount rate	1.50% – 2.00%	1.75% – 2.80%
Expected rate of return on plan assets	2.0% – 7.0%	1.75% – 7.0%
Expected rate of future salary increases	3.0% – 4.0%	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:

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Present value of defined benefit obligations	(66,545)	(63,018)	(56,973)	(58,170)	(60,358)
Fair value of plan assets	31,276	30,679	30,889	28,668	31,616
Deficits	(35,269)	(32,339)	(26,084)	(29,502)	(28,742)
Experience adjustments on plan liabilities	783	(3,417)	3,804	5,423	(1,075)
Experience adjustments on plan assets	(1,102)	(66)	973	(4,559)	2,464

32 Deferred taxation

(a) Deferred tax assets

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	31,235	39,011
Exchange adjustment	(18)	2,380
Credited/(charged) to consolidated income statement (note c)	10,658	(10,156)
At 31 December	41,875	31,235
Amount to be recovered after more than one year	12,371	4,512

32 Deferred taxation (Continued)

(b) Deferred tax liabilities

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	12,449	14,739
Exchange adjustment	516	554
Charged/(credited) to consolidated income statement (note c)	4,685	(2,844)
At 31 December	17,650	12,449
Amount to be payable after more than one year	17,650	12,449

(c) Deferred taxation credited/(charged) to consolidated income statement

	Group	
	2011 HK$'000	2010 HK$'000
Deferred tax assets (note a)	10,658	(10,156)
Deferred tax liabilities (note b)	(4,685)	2,844
Deferred taxation credited/(charged) to consolidated income statement (note 8)	5,973	(7,312)

32 Deferred taxation (Continued)

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

Deferred tax assets

	Group					
	Provisions		Others		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At 1 January	26,723	31,139	4,512	7,872	31,235	39,011
Exchange adjustment	(381)	2,219	363	161	(18)	2,380
Credited/(charged) to consolidated income statement	3,162	(6,635)	7,496	(3,521)	10,658	(10,156)
At 31 December	29,504	26,723	12,371	4,512	41,875	31,235

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 2011 of HK$4,648,881,000 (2010: HK$4,377,596,000) that can be carried forward against future taxable income. Losses amounting to HK$548,431,000 will be expired from 2012 to 2021, and HK$4,100,450,000 has no expiry terms.

Deferred tax liabilities

	Group							
	Unremitted earnings		Accelerated tax depreciation		Others		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At 1 January	7,955	10,545	121	121	4,373	4,073	12,449	14,739
Exchange adjustment	287	439	5	–	224	115	516	554
Charged/(credited) to consolidated income statement	4,659	(3,029)	–	–	26	185	4,685	(2,844)
At 31 December	12,901	7,955	126	121	4,623	4,373	17,650	12,449

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.

(f) Deferred income tax liabilities of HK$47,851,000 (2010: HK$47,161,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are to be reinvested. Unremitted earnings totalled HK$939,400,000 at 31 December 2011 (2010: HK$930,873,000).

33 Share capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	HK$'000
At 31 December 2011 and 2010	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 2011 and 2010	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. 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. The options granted under the Old Option Scheme can be exercised at prices ranging from HK$2.505 to HK$11.30 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	2011 Weighted average exercise price HK$	2011 Number of share options	2010 Weighted average exercise price HK$	2010 Number of share options
Outstanding at 1 January	–	–	1.78	7,116,000
Lapsed	–	–	1.78	(7,116,000)
Outstanding at 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

Old Option Scheme	2011 Weighted average exercise price HK$	2011 Number of share options	2010 Weighted average exercise price HK$	2010 Number of share options
Outstanding at 1 January	2.505	6,976,000	4.80	27,428,000
Lapsed	–	–	5.65	(19,302,000)
Cancelled	2.505	(420,000)	4.63	(1,150,000)
Outstanding at 31 December	2.505	6,556,000	2.505	6,976,000
Exercisable at 31 December	2.505	6,556,000	2.505	6,976,000

Terms of the share options outstanding at 31 December 2011 are:

Expiry date	Exercise price	2011	2010
8 October 2013	HK$2.505	6,556,000	6,976,000
Weighted average remaining contractual life (year)		1.77	2.77

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 follows:

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.

No share-based compensation costs was recognised during the year (2010: Nil).

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 2010	4,100,475	38,683	23,565	776	(3,102,046)	1,061,453
Loss for the year	–	–	–	–	(27,395)	(27,395)
At 31 December 2010	4,100,475	38,683	23,565	776	(3,129,441)	1,034,058
At 1 January 2011	4,100,475	38,683	23,565	776	(3,129,441)	1,034,058
Loss for the year	–	–	–	–	(98,903)	(98,903)
At 31 December 2011	4,100,475	38,683	23,565	776	(3,228,344)	935,155

36 Own shares held

	No. of shares	HK$'000
At 1 January 2010 and 31 December 2010	3,043,771	6,244
At 1 January 2011 and 31 December 2011	3,043,771	6,244

37 Notes to the consolidated statement of cash flows

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

	2011 HK$'000	2010 HK$'000
Loss before taxation	(498,244)	(138,190)
Interest expenses	59,420	60,474
Interest income	(19,754)	(15,285)
Amortisation and depreciation	219,405	201,023
Dividend income on available-for-sale financial assets	(6,153)	(494)
Share of profits less losses of jointly controlled entities	11,572	22,447
Share of profits less losses of associated companies	3,416	(5,698)
Write back of consideration payable on a prior year's acquisition	(154,017)	–
Provision for impairment of goodwill and other assets	421,201	11,514
Provision for impairment of trade receivables	910	5,868
Provision for inventories	15,820	11,909
Loss on disposal of fixed assets	330	182
Gain on disposal of available-for-sale financial assets	–	(5,402)
Gain on disposal of a subsidiary (note b)	–	(7,666)
Adjusted operating profit before working capital changes	53,906	140,682
Decrease in long-term receivables	168	2,670
Increase in inventories	(18,528)	(4,010)
Increase in trade and other receivables	(13,836)	(11,226)
Increase in trade and other payables	16,818	83,363
Increase in pension obligations	160	3,435
Exchange adjustment	2,086	12,966
Net cash inflow from operations	40,774	227,880

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

(b) Disposal of a subsidiary

	2011 HK$'000	2010 HK$'000
Net assets disposed of:		
Fixed assets (note 14)	–	11
Trade and other receivables	–	1,603
Cash and bank balances	–	3
Trade and other payables	–	(19,208)
Exchange reserve	–	1,150
	–	(16,441)
Gain on disposal of a subsidiary (note a)	–	7,666
	–	(8,775)
Satisfied by:		
Cash paid	–	(7,605)
Other payable	–	(1,170)
	–	(8,775)
Analysis of the net cash outflow in respect of the disposal of a subsidiary:		
Cash paid	–	(7,605)
Cash and bank balances disposed of	–	(3)
Net cash outflow in respect of disposal of a subsidiary	–	(7,608)

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

(c) Deconsolidation of subsidiaries

	2011 HK$'000	2010 HK$'000
Net assets deconsolidated:		
Fixed assets (note 14)	–	3,862
Other intangible assets (note 16)	–	4,851
Goodwill	–	6,120
Trade and other receivables	–	43,093
Cash and bank balances	–	12,086
Trade and other payables	–	(45,627)
Non-controlling interests	–	(12,004)
Exchange reserve	–	(1,480)
Reclassified to available-for-sale financial assets (note 21)	–	10,901

(d) Analysis of changes in financing during the year

	2011 HK$'000	2010 HK$'000
Bank loans		
At 1 January	**1,951,432**	1,960,890
New bank loans	**446,308**	591,352
Loan repayments	**(260,274)**	(644,290)
	186,034	(52,938)
Exchange adjustment	**(5,568)**	43,480
At 31 December	**2,131,898**	1,951,432

38 Pledge of assets

Save as disclosed in note 26, the Group has no pledge of assets as at 31 December 2011 (2010: Nil).

39 Contingent liabilities

From 2008 to 2011, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2009 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT$820 million (approximately HK$210 million) in total in deriving the assessable profits of the subsidiary. This gave rise to a potential additional income tax liability to the Group of approximately NT$205 million (approximately HK$53 million). The subsidiary duly filed the petitions/appeals to the tax authority and requested for re-examination on the deductibility of the amortisation charge. In 2010, the petitions for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary appealed to the Court in Taiwan. In November 2010 and June 2011, the subsidiary won the 2004 and 2005 tax appeals respectively. In January and August 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 tax assessments respectively. In February and March 2012, the Court decided to revert the 2004 and 2005 tax assessments back for re-trial, on the opinion that appropriate laws and regulations have not been applied in drawing the conclusion of the original judgement for the 2004 and 2005 tax assessments.

Management has discussed the cases with its external tax representative. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan, management is confident of a favourable outcome of the tax appeals/petitions and considers no provision is necessary at this stage.

Should the tax appeals and petitions by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2010 to 2011 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to year 2011 to the Group thereon is approximately NT$258 million (approximately HK$66 million).

40 Commitments

(a) Capital commitments

Save as disclosed in note (b) below, the Group's maximum capital commitments as at 31 December 2011 are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Acquisition of investments		
– Contracted but not provided for	–	220,971
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	154,485	147,165
	154,485	368,136

40 Commitments (Continued)

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

On 20 December 2006, TOM Online Inc. ("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.

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 at London Interbank Offered Rate plus 1.3% per annum. 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 2011, shareholder's loan of US$18,000,000 (approximately HK$140,400,000) from TOMO has been advanced to the Joint Venture. Therefore, the outstanding commitment of the Group in respect of the Joint Venture totalled US$7,000,000 (approximately HK$54,600,000) as at 31 December 2011.

(c) Commitments under operating leases

At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2011		2010	
	Land and buildings HK$'000	Other assets HK$'000	Land and buildings HK$'000	Other assets HK$'000
No later than one year	47,879	73,990	47,363	61,762
Later than one year and no later than five years	13,045	78,604	36,061	89,223
Later than five years	33	8,773	87	4,135
	60,957	161,367	83,511	155,120

41 Related party transactions

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

(a) Sales of goods and services

	Group	
	2011 HK$'000	2010 HK$'000
Sales to		
– HWL and its subsidiaries	41,439	31,335
– Non-controlling interests of subsidiaries and their subsidiaries	20,218	14,314

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 are shown in note 25(c).

(b) Purchase of goods and services

	Group	
	2011 HK$'000	2010 HK$'000
Purchase of services payable to		
– non-controlling interests of subsidiaries and their subsidiaries	17,097	21,693
Rental payable to		
– an associated company of CKH	10,266	8,922
– a subsidiary of CKH	8,590	8,590
– non-controlling interests of subsidiaries and their subsidiaries	1,359	1,529
Service fees payable to		
– HWL and its subsidiaries	4,140	5,093
– non-controlling interests of subsidiaries and their subsidiaries	145	796
Interest expenses payable to non-controlling interests of a subsidiary	1,897	1,897

41 Related party transactions (Continued)

(b) Purchase of goods and services (Continued)

In October 2011, two substantial shareholders of the Company granted guarantees to the Company at an guarantee fee equivalent to 0.5% per annum for loan facilities amounting to HK$2,200 million (2010: three substantial shareholders of the Company granted guarantees to the Company at an guarantee fee equivalent to 0.5% per annum for loan facilities of HK$1,900 million). During the year, guarantee fee amounted to approximately HK$7,774,000 was paid by the Company (2010: HK$7,217,000) to these substantial shareholders.

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.

42 Subsequent events

Other than the development of the tax appeals as disclosed in note 39, there are no other subsequent events after the reporting period which have material impacts to the consolidated financial statements.

43 Approval of financial statements

The financial statements were approved by the board of directors on 26 March 2012.

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

	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				
@	Beijing Huan Jian Shu Meng Network Technology Limited	Mainland China, limited liability company	Provision of mobile and 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 Lei Ting Wu Ji Network Technology Company Limited	Mainland China, limited liability company	Provision of wireless interactive voice response services in Mainland China	Registered capital RMB10,000,000	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 Redsail Netlegend Data Network Technology Company Limited	Mainland China, limited liability company	Provision of interactive call centre services in Mainland China	Registered capital RMB62,800,000	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 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) Co., Ltd.	Mainland China, limited liability company	Software, electronics and computer network system development in Mainland China	Registered capital US$3,000,000	100%
@	Shenzhen Freenet Information Technology Company Limited	Mainland China, limited liability company	E-mail service provider and provision of wireless internet services 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%
	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%
	E-Commerce Group				
@	[1]Beijing Ule E-Commerce Company Limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered capital RMB6,000,000	44.1%
	Shanghai TOM Network Technology Services Company Limited	Mainland China, limited liability company	Provision of technical support to E-Commerce platform	Registered capital US$50,000	90.002%
@	[1]Shanghai Ule Trading Company Limited	Mainland China, limited liability company	Operation of a mobile and internet-based marketplace in Mainland China	Registered capital RMB2,000,000	44.1%
	[1]TOM Eachnet PRC Holdings (BVI) Inc.	BVI, limited liability company	Operation of a mobile and internet-based marketplace in Mainland China	100 ordinary shares of US$ 1 each	45.9%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued/ registered capital	Effective interest held
	Publishing Group				
	Bookworm Club Co., Ltd	Taiwan, limited liability company	Distribution and retailing of books and magazines in Taiwan	2,015,000 ordinary shares of NT$10 each	82.53%
#	China Popular Computer Week Management Company Limited	Mainland China, limited liability company	Advertising sales and distribution of publication products in Mainland China	Registered capital RMB30,000,000	49%
	Cite (H.K.) Publishing Group Limited	Hong Kong, limited liability company	Retailing and distribution of books and magazines in Hong Kong	4,200,000 ordinary shares of HK$1 each	68.79%
	Cite (Malaysia) SDN. BHD.	Malaysia, limited liability company	Publishing and distribution of books and magazines in Malaysia	400,000 ordinary shares of RM1 each	72.84%
	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 and magazines in Taiwan	40,632,070 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%
	Home Media Group Ltd.	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	66.03%
	Pixnet Digital Media Corporation Limited	Taiwan, limited liability company	Supply service of online community and social networking websites in Taiwan	7,632,880 ordinary shares of NT$10 each	80.47%
	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
	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%
	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 Fench Star Information Industry Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@	Kunming TOM-Fench Media Company 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 RMB10,000,000	100%
@	Shenyang TOM Sano Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	60%
	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%
	Xiamen TOM Bomei Shiji Advertising Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,500,000	60%

	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 services, 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	42,036 ordinary shares of HK$0.3 each	74.36%
@	Shenzhen Jia Jia Television Cultural Transmission Company Limited	Mainland China, limited liability company	Television programmes production and related services and advertising services	Registered capital RMB3,000,000	100%
	YCP Advertising Limited	Hong Kong, limited liability company	Advertising services, 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 2011 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 Cup Magazine Publishing Limited, 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.

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