tom®

TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM Group Limited ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the year ended 31 December 2012.

Despite the sluggish macroeconomic environment in 2012, TOM Group's financial performance overall improved as the Group continued to invest in future growth drivers in its various business segments and to reduce costs. Revenues were HK$2,206 million, a slight decrease of 5% from last year. Excluding the non-cash goodwill impairment amounting to HK$136 million, operating loss narrowed by 32% to HK$130 million, whereas loss attributable to shareholders reduced by 32% to HK$337 million or 8.66 HK cents per share.

The Mobile Internet Group reported a 70% reduction in segment loss to HK$17 million, while revenues stood at HK$557 million. User-centric applications such as music and game were well-received by users and saw growth in both number of download and active users during the year.

The Group's e-commerce business continued to see encouraging growth. During the year, the Ule joint-venture deepened its integration with China Post to drive sales. Ule doubled its gross merchandise value (GMV) to RMB521 million on a year on year basis. The average value per transaction of Ule stood at RMB380, at the high end range of its comparable peers in the market.

** for identification purpose*

The Publishing Group continued to invest in various new media publishing initiatives whilst maintaining its segment revenues at HK$1,057 million. At the end of the year, the Group has introduced more than 400 applications on various digital reading platforms, of which 75 percent are paid. The Group's own online platforms such as e-Reading Now also saw an increase in registered users.

The Outdoor Media Group (OMG) continued to upgrade its media assets to LED panels and posted a 10% increase in revenues to HK$365 million and profit of HK$2 million during the reporting year.

The Television & Entertainment Group maintained revenues at HK$220 million with a minor reduction in segment loss during the period. In 2013, CETV undertake a programme to significantly reduce costs and increase higher margin business opportunities, including with its sister companies across different forms of media.

Moving forward, TOM Group will maintain financial and operating discipline, and continue to integrate the Group's media assets to better exploit opportunities across businesses. Barring economic uncertainty and regulatory challenges, the management is confident that the Group is on track to achieve sustainable growth 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.

Frank Sixt
Chairman

Hong Kong, 21 March 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Revenue	2,205,916	2,326,360
Operating loss[#] before impairment charge and a one-off item	(129,787)	(191,394)
Impairment charge and a one-off item*	(136,280)	(267,184)
Loss attributable to equity holders of the Company	(337,187)	(498,270)
Loss per share (HK cents)	(8.66)	(12.80)

* Provision for impairment of goodwill for 2012 amounted to HK$136,280,000 (2011: HK$421,201,000); one-off item for 2011 represented a write back of consideration payable on a prior year's acquisition of HK$154,017,000 (2012: Nil)

[#] Including share of results of associated companies and jointly controlled entities

BUSINESS AND OPERATION REVIEW

The Group's core businesses have been under a series of restructuring and consolidation in anticipation of the robust growth in the smartphone market. All business segments have cost effectively invested in high margin, technology-based businesses and delivered encouraging results. Against the backdrop, the Group is entering into a stage of fast organic growth.

E-Commerce - unique offline to online model drives rapid growth

Ule is a unique platform for e-commerce and mobile commerce. Leveraging on the powerful logistic network of China Post Group, which covers rural villages and its extensive network of corporate clients, Ule reported robust sales growth with a prudent approach on marketing and promotion spending. Ule's gross merchandise value (GMV) doubled from the past year to more than RMB500 million. Average GMV per transaction on the platform doubled the industry average to RMB380 and jumped by 34% on a year on year basis. In the past year, registered users doubled while repeated buyer rate stood at 25% level.

Ule continues to expand its user coverage and enhance its product and service offering. During the reporting period, Ule launched "provincial domestic product zones" in conjunction with provincial post offices, and also forged partnership with overseas postal offices including New Zealand Post and Taiwan Chunghwa Post Co Ltd to sell baby formula and cosmetic products on the platform respectively. Partnerships with Australia Post and Deutsche Post are scheduled to unveil later this year. Meanwhile, more than 4 million co-branded debit cards have been issued in collaboration with the Postal Savings Bank last year.

Mobile Internet - rapid growth in vertical social platforms for popular services

With the rising penetration of smartphone devices, Mobile Internet business has been progressing well as we launched a series of new products and delivering strong operating key performance indicators. Segment loss reduced by 70% on a year on year basis. Vertical social platforms, namely PK Game, a game community platform, and 637.fm, a social music platform, saw their number of downloads in applications and services jumped by more than 15 times and 8 times respectively from a year earlier. PK Game doubled its number of paid users and average revenue per user. Active users accounted for 16% of the total registered game users by the end of last year. 637.fm successfully wins the support from leading music labels such as Taiher Rye Music and Ocean Butterflies as their preferred music promotion platform. By the end of December, 637.fm has partnered with more than dozens record labels with around 100 artists promoting their music on the platform. Monthly active users of 637.fm doubled from a year earlier.

Publishing Group - stable growth with value add from digital publishing

The Publishing Group maintained its revenue level last year, with printed and digital publishing achieved growth neck and neck in the reporting period. The Group has continued its effort to explore new initiatives in the digital publishing field. Pixnet Digital Media registered users jumped 25% during the year. It has also launched a brand-new personal news aggregation service “7headlines.com” with positive market response and user number grew 36% on a monthly basis. These platforms provide digital promotion channels for the Publishing Group’s traditional business to reach out to online readers and are expected to be the main engine for growth in the coming year. In 2012, the Group has boosted its digital reading applications by almost 80% from a year earlier, and recorded 65% increase in downloads. Among these applications, 75% of them were paid.

Traditional print business maintained its leadership last year. Advertising revenue from books and magazines jumped 7% from a year earlier. *Business Weekly* further cemented its market leading position in 2012, with average selling price per advertising page grew by 6% year-on-year.

The Publishing Group enjoyed another year of wide recognition by industry peers. *Business Weekly* was widely recognised with numerous awards including “Award for Excellence in Explanatory Reporting” in the SOPA 2012 Awards for Editorial Excellence. It also won the “Best Business Magazine”, “Best Chief Editor” and “Best Feature Writing” in the 36th Golden Vessel Award, and “Excellent Award for Magazine Report” in the 16th Cross-Strait News Report Awards. The title also received first place in the 26th Vivian Wu Journalism Award for “Public Service Award” and “In-depth Report Awards”.

In the 6th Digital Golden Tripod Award, *Business Weekly* received the award for “Best Arts and Humanities Book” with the work of “Beijing to Paris on Pedals”. Cité Publishing’s mobile application also won the second prize in the Best Mobile App Awards.

Sharp Point Publishing Group won the "Best Comic Contribution Award of the Year" in the 3rd Golden Comic Awards.

Sharp Point's *Make a wish! Da Xi* received the "Best Young Woman Comic Award" and the "Best Comic Grand Prize" in the 3rd Golden Comic Awards. It also received the "Best Comic Grand Prize" of the 5th Manga Award of Japan 2012.

CUP magazine ranked second runner-up in the news and current affairs category of "Magazine of The Year 2012" in Hong Kong.

Outdoor Media Group - turnaround on high value media assets

The Outdoor Media Group invested into high value LED digital media panels to enhance its asset portfolio and achieved profitability in the reporting period. The Group has improved its operating efficiency as average occupancy rate stood at more than 70% last year.

The Outdoor Media Group is recognised for its professional excellence. In the China Outdoor Media Conference, it was named as "Top 10 China OOH Media Suppliers". It was also named as the "Top Outdoor Media Brand" in 2011 and 2012 by China Brand Media Peak Forum. In the Golden Great Wall Media *Awards, the Group was named as the* "*Most Influential Outdoor Media Supplier 2012".* It also received the "Most Valuable Professional Media Supplier Award" by China Business Leaders and Media Leaders Annual Conference 2012.

Television and Entertainment Group - revenue jumps on strong ads sales

Television and Entertainment Group narrowed its operating loss last year with rising television advertising dollars from a year earlier. In 2013, CETV undertake a restructuring programme, and collaborate with the Outdoor Media Group and Mobile Internet Group to distribute contents on multi-screens.

During the year, CETV won the "Best Socially Charity Television Award" by The China Public Welfare Committee.

FINANCIAL REVIEW

TOM Group reports its results in five business segments namely Mobile 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 2012 amounted to HK$2,206 million, a decrease of 5.2% compared to HK$2,326 million last year.

Segmental Results

The Mobile Internet Group reported gross revenues of HK$557 million, 23.4% lower than last year's HK$727 million. Segment loss decreased by 70.5% to HK$17 million from HK$58 million in 2011.

The E-Commerce Group reported segment loss of HK$73 million, 31.6% higher than last year's HK$55 million.

Gross revenues of the Publishing Group increased by 0.5% to HK$1,057 million from last year's HK$1,052 million. Segment profit decreased by 6.3% to HK$97 million from HK$103 million in 2011.

Gross revenues of the Outdoor Media Group increased by 10.3% to HK$365 million from last year's HK$331 million. Segment profit was HK$2 million, compared to segment loss of HK$21 million in 2011.

Gross revenues of the Television & Entertainment Group increased by 1.3% to HK$220 million from last year's HK$217 million. Segment loss was HK$77 million, a 5.5% decrease from HK$82 million in 2011.

Operating Loss

The Group's operating loss for the year amounted to HK$266 million, compared to last year's HK$459 million. Excluding the financial impacts from provision for impairment of goodwill of HK$136 million in 2012 (2011: 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), the operating loss from recurring operation was HK$130 million, a decrease of 32.2% from the operating loss of HK$191 million in 2011.

The provision for impairment of goodwill made in 2012 was made with reference to the reduced estimated values of the wireless value-added services, television and outdoor media operations held by the Group.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company was HK$337 million, a decrease of 32.3% from HK$498 million in 2011.

Liquidity and Financial Resources

As at 31 December 2012, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK$797 million. A total of HK$2,905 million financing facilities were available, of which HK$2,216 million had been utilised as at 31 December 2012, to finance the Group's investment, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$2,216 million as at 31 December 2012. This included long-term bank loans of approximately HK$2,076 million and short-term bank loans of approximately HK$140 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 66% as at 31 December 2012, compared to 59% as at 31 December 2011.

As at 31 December 2012, the Group had net current assets of approximately HK$400 million, compared to balance of approximately HK$645 million as at 31 December 2011. As at 31 December 2012, the current ratio (Current assets/Current liabilities) of TOM Group was 1.31, compared to 1.50 as at 31 December 2011.

In 2012, net cash inflow from operating activities amounted to HK$35 million. Net cash outflow used in investing activities was HK$265 million, mainly included capital expenditures of HK$262 million, investment in an associated company and an available-for-sale financial asset totalling HK$15 million, partially offset by net proceeds from disposal of subsidiaries of HK$11 million. During the year, the net cash inflow from financing activities amounted to HK$53 million, mainly included drawdown of bank loans, net of repayment, of HK$67 million and contribution from non-controlling interests of subsidiaries of HK$7 million, partially offset by dividends paid to non-controlling interests of subsidiaries of HK$12 million and payment of loan arrangement fee of HK$9 million.

Charges on Group Assets

As at 31 December 2012, the Group had restricted cash amounting to HK$3 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 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2010 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT$977 million (approximately HK$261 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$232 million (approximately HK$62 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. The subsidiary duly appealed to the Court in Taiwan and won the tax appeals for these two tax assessments. In 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 tax assessments. 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 for in drawing the conclusion of the original judgement. Following that, the Court has requested the subsidiary and tax authority providing supplementary information to justify respective position. Up to the date of this announcement, the dates for the trials were not fixed by the Court.

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 2011 to 2012 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to year 2012 to the Group thereon is approximately NT$285 million (approximately HK$76 million).

Employee Information

As at 31 December 2012, TOM Group had approximately 2,900 full-time employees. Employee costs, excluding Directors' emoluments, totalled HK$595 million for the year (2011: HK$589 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.

AUDITED CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	2	2,205,916	2,326,360
Cost of sales	4	(1,580,502)	(1,744,153)
Selling and marketing expenses	4	(274,019)	(287,415)
Administrative expenses	4	(184,165)	(170,733)
Other operating expenses	4	(330,895)	(326,080)
Other gains, net	4	28,560	25,615
Write back of consideration payable on a prior year's acquisition		-	154,017
Provision for impairment of goodwill	3	(136,280)	(421,201)
Share of profits less losses of jointly controlled entities		12,034	(11,572)
Share of profits less losses of associated companies		(6,716)	(3,416)
		(266,067)	(458,578)
Finance income	5	16,407	19,754
Finance costs	5	(67,550)	(59,420)
Finance costs, net	5	(51,143)	(39,666)
Loss before taxation		(317,210)	(498,244)
Taxation	6	(26,916)	(27,675)
Loss for the year		(344,126)	(525,919)
Attributable to:			
Non-controlling interests		(6,939)	(27,649)
Equity holders of the Company		(337,187)	(498,270)
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	8	HK(8.66) cents	HK(12.80) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	(344,126)	(525,919)
Other comprehensive income		
Exchange translation differences	16,227	126,434
Revaluation surplus/(deficit) on available-for-sale financial assets, net of tax	2,561	(1,453)
Net actuarial loss on defined benefit plans	(4,636)	(2,747)
Pension reserve recycled to income statement on disposal of a subsidiary	1,654	-
Other comprehensive income for the year, net of tax	15,806	122,234
Total comprehensive expense for the year	(328,320)	(403,685)
Total comprehensive expense attributable to:		
- Non-controlling interests	(86)	(17,183)
- Equity holders of the Company	(328,234)	(386,502)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		205,983	159,990
Goodwill		2,154,471	2,355,948
Other intangible assets		92,594	99,969
Interests in jointly controlled entities		8,798	(117,523)
Interests in associated companies		223,772	221,753
Available-for-sale financial assets		20,546	12,763
Advance to an investee company		2,177	2,172
Deferred tax assets		51,794	41,875
Other non-current assets		12,602	27,555
		2,772,737	2,804,502
Current assets			
Inventories		114,130	101,062
Trade and other receivables	9	784,917	860,951
Restricted cash		2,963	3,766
Cash and bank balances		797,115	961,773
		1,699,125	1,927,552
Current liabilities			
Trade and other payables	10	1,034,187	1,048,361
Taxation payable		48,653	43,080
Long-term bank loans - current portion		76,067	73,160
Short-term bank loans		140,389	118,082
		1,299,296	1,282,683
Net current assets		399,829	644,869
Total assets less current liabilities		3,172,566	3,449,371
Non-current liabilities			
Deferred tax liabilities		11,340	17,650
Non-current portion of long-term bank loans		1,999,502	1,940,656
Pension obligations		40,089	35,291
		2,050,931	1,993,597
Net assets		1,121,635	1,455,774
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		389,328	389,328
Reserves		416,648	743,175
Own shares held		(6,244)	(6,244)
		799,732	1,126,259
Non-controlling interests		321,903	329,515
Total equity		1,121,635	1,455,774

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	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 income/(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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	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 2012	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
Comprehensive income:												
Loss for the year	-	-	-	-	-	-	-	-	(337,187)	(337,187)	(6,939)	(344,126)
Other comprehensive income:												
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	2,561	-	-	2,561	-	2,561
Net actuarial loss on defined benefit plans	-	-	-	-	-	-	-	-	(3,960)	(3,960)	(676)	(4,636)
Pension reserve recycled to income statement on disposal of a subsidiary	-	-	-	-	-	-	-	-	1,371	1,371	283	1,654
Exchange translation differences	-	-	-	-	-	-	-	8,981	-	8,981	7,246	16,227
Total comprehensive income/(expense) for the year ended 31 December 2012	-	-	-	-	-	-	2,561	8,981	(339,776)	(328,234)	(86)	(328,320)
Transactions with equity holders:												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(12,403)	(12,403)
Acquisition of additional interests in a subsidiary	-	-	-	1,707	-	-	-	-	-	1,707	(4,318)	(2,611)
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(85)	(85)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	9,280	9,280
Transfer to general reserve	-	-	-	-	-	5,207	-	-	(5,207)	-	-	-
Transactions with equity holders	-	-	-	1,707	-	5,207	-	-	(5,207)	1,707	(7,526)	(5,819)
Balance at 31 December 2012	389,328	(6,244)	3,625,981	28,021	776	144,464	4,109	731,064	(4,117,767)	799,732	321,903	1,121,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 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 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.

There are no new standards, amendments to standards and interpretations that are effective for the first time for the financial year beginning 1 January 2012 that would be expected to have a material impact on the Group.

2 Turnover, revenue and segment information

The Group has five reportable operating segments:

- Mobile Internet Group - provision of mobile Internet services, online advertising, commercial enterprise solutions and online communication services.
- E-Commerce Group - provision of technical services for online trading platform and provision of services to users using the mobile and 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.

2 Turnover, revenue and segment information (Continued)

The segment results for the year ended 31 December 2012 were as follows:

	Year ended 31 December 2012					
	Mobile 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	557,276	7,520	1,056,815	365,267	219,925	2,206,803
Inter-segment revenue	-	-	-	-	(887)	(887)
Net revenue from external customers	557,276	7,520	1,056,815	365,267	219,038	2,205,916
Segment profit/(loss) before amortisation and depreciation	(6,500)	(68,032)	218,464	38,467	(27,896)	154,503
Amortisation and depreciation	(10,739)	(4,522)	(121,760)	(36,794)	(49,454)	(223,269)
Segment profit/(loss)	(17,239)	(72,554)	96,704	1,673	(77,350)	(68,766)
Other material non-cash items:						
Provision for impairment of goodwill	(120,280)	-	-	(6,000)	(10,000)	(136,280)
Share of profits of jointly controlled entities	-	12,034	-	-	-	12,034
Share of profits less losses of associated companies	636	-	(7,352)	-	-	(6,716)
	(119,644)	12,034	(7,352)	(6,000)	(10,000)	(130,962)
Finance costs:						
Finance income (note a)	12,742	69	22,676	1,191	182	36,860
Finance expenses (note a)	-	-	(13,338)	-	(22,203)	(35,541)
	12,742	69	9,338	1,191	(22,021)	1,319
Segment profit/(loss) before taxation	(124,141)	(60,451)	98,690	(3,136)	(109,371)	(198,409)
Unallocated corporate expenses						(118,801)
Loss before taxation						(317,210)
Expenditure for operating segment non-current assets	23,742	8,979	135,473	49,233	44,429	261,856
Unallocated expenditure for non-current assets						472
Total expenditure for non-current assets						262,328

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK$21,904,000 and HK$23,349,000 were included in the finance income and finance expenses respectively.

2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2012 were as follows:

	As at 31 December 2012					
	Mobile 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	1,946,925	99,041	1,292,710	638,636	173,395	4,150,707
Interests in jointly controlled entities	-	8,798	-	-	-	8,798
Interests in associated companies	4,804	-	218,968	-	-	223,772
Unallocated assets						88,585
Total assets						4,471,862
Segment liabilities	256,454	32,463	416,672	185,515	65,326	956,430
Unallocated liabilities:						
Corporate liabilities						117,846
Current taxation						48,653
Deferred taxation						11,340
Borrowings						2,215,958
Total liabilities						3,350,227

2 Turnover, revenue and segment information (Continued)

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

	Year ended 31 December 2011					
	Mobile 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.

2 Turnover, revenue and segment information (Continued)

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

	As at 31 December 2011					
	Mobile 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

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.

3 Provision for impairment of goodwill

The amount in the current year totalling HK$136,280,000 represented provision for impairment of goodwill of the Mobile Internet Group of HK$120,280,000, Television and Entertainment Group of HK$10,000,000 and Outdoor Media Group of HK$6,000,000 respectively. These provisions were made with reference to the reduced estimated values of certain operations held by the respective groups (2011: provision for impairment of goodwill of HK$421,201,000 relating to the Mobile Internet Group).

4 Operating loss

Operating loss is stated after charging/crediting the following:

	2012 HK$'000	2011 HK$'000
Charging:		
Depreciation	59,313	57,180
Amortisation of other intangible assets	164,978	162,225
Loss on disposal of fixed assets	759	330
Crediting:		
Dividend income from available-for-sale financial assets	1,560	6,153
Gain on disposal of subsidiaries	3,745	-
Gain on deconsolidation of a subsidiary	85	-
Exchange gain, net	23,929	19,792

5 Finance costs, net

	2012 HK$'000	2011 HK$'000
Interest and borrowing costs on bank loans	65,653	57,523
Interest on other loans	1,897	1,897
	67,550	59,420
Less: Bank interest income	(16,407)	(19,754)
	51,143	39,666

6 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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:

	2012 HK$'000	2011 HK$'000
Overseas taxation	39,798	33,146
Under-provision in prior years	2,428	502
Deferred taxation	(15,310)	(5,973)
Taxation charge	26,916	27,675

7 Dividends

No dividends had been paid or declared by the Company during the year (2011: Nil).

8 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$337,187,000 (2011: HK$498,270,000) and the weighted average of 3,893,270,558 (2011: 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 2012 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 (2011: Same).

9 Trade and other receivables

	Group 2012 HK$'000	Group 2011 HK$'000
Trade receivables	528,297	552,983
Prepayments, deposits and other receivables	256,620	307,968
	784,917	860,951

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.

As at 31 December 2012 and 2011, the ageing analyses of the Group's trade receivables were as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Current	125,876	195,782
31-60 days	120,174	130,766
61-90 days	87,012	81,572
Over 90 days	287,190	238,369
	620,252	646,489
Less: Provision for impairment	(91,955)	(93,506)
	528,297	552,983

10 Trade and other payables

	Group 2012 HK$'000	Group 2011 HK$'000
Trade payables	340,562	295,259
Other payables and accruals	693,625	753,102
	1,034,187	1,048,361

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

As at 31 December 2012 and 2011, the ageing analyses of the Group's trade payables were as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Current	86,490	116,215
31-60 days	67,013	35,846
61-90 days	31,440	31,576
Over 90 days	155,619	111,622
	340,562	295,259

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2012. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except Code Provision A.5 of the Corporate Governance Code.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

Executive Directors:	*Non-executive Directors:*	*Independent Non-executive Directors:*
Mr. Yeung Kwok Mung	*Mr. Frank Sixt (Chairman)*	*Mr. Henry Cheong*
Ms. Angela Mak	*Ms. Debbie Chang*	*Ms. Anna Wu*
	Mr. Edmond Ip	*Mr. James Sha*
	Mrs. Angelina Lee	
		Alternate Directors:
		Mrs. Susan Chow
		(Alternate to Mr. Frank Sixt)
		Mr. Francis Meehan
		(Alternate to each of Mr. Frank Sixt, Ms. Debbie Chang and Mr. Edmond Ip)