TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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 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 years 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 games 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.

** for identification purpose*

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 and 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 Sixt
Chairman

Hong Kong, 26 March 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Revenue	2,326,360	2,464,227
Operating loss# before one-off items	(191,394)	(81,487)
One-off items*	(267,184)	(11,514)
Loss attributable to equity holders of the Company	(498,270)	(167,952)
Loss per share (HK cents)	(12.80)	(4.31)

* One-off items included provision for impairment of goodwill and other assets (2011: HK$421,201,000; 2010: HK$11,514,000) and write back of consideration payable on a prior year's acquisition (2011: HK$154,017,000; 2010: Nil)

Including share of results of associated companies and jointly controlled entities

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.

<u>E-Commerce - KPI performances indicate momentum of growth, joining domestic and overseas partners to tap expansion</u>

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 more than 50,000 counters. Repeated buyer rate stood high at 25%.

Going forward, Ule will deepen its collaboration with China Post, and launch a co-brand 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, which offers milk powder products imported from New Zealand.

Mobile Internet - launch popular games 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 SNS "637.fm", an interactive platform for music companies, artists and their fans, met users in the 4th 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. In March 2012, Cité in Taiwan was 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 recognized 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 programs that were sponsored by renowned brands, CETV also presented the best popular Asian dramas from Taiwan and Korea.

Outdoor Media - digitization 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 recognized for its professional excellence. On the 8th China Media Conference held in 2011, OMG was recognized 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 bank and cash 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. This 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 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.

AUDITED CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	2	2,326,360	2,464,227
Cost of sales	4	(1,744,153)	(1,845,688)
Selling and marketing expenses	4	(287,415)	(263,975)
Administrative expenses	4	(170,733)	(171,164)
Other operating expenses	4	(326,080)	(285,797)
Other gains, net	4	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	3	(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	5	19,754	15,285
Finance costs	5	(59,420)	(60,474)
Finance costs, net	5	(39,666)	(45,189)
Loss before taxation		(498,244)	(138,190)
Taxation	6	(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	8	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		159,990	143,769
Goodwill		2,355,948	2,682,513
Other intangible assets		99,969	112,207
Interests in jointly controlled entities		(117,523)	(132,651)
Interests in associated companies		221,753	230,736
Available-for-sale financial assets		12,763	28,780
Advance to an investee company		2,172	2,172
Deferred tax assets		41,875	31,235
Other non-current assets		27,555	23,609
		2,804,502	3,122,370
Current assets			
Inventories		101,062	98,354
Trade and other receivables	9	860,951	836,240
Restricted cash		3,766	3,958
Cash and cash equivalents		961,773	1,079,340
		1,927,552	2,017,892
Current liabilities			
Trade and other payables	10	1,048,361	1,226,149
Taxation payable		43,080	45,937
Long-term bank loans - current portion		73,160	72,039
Short-term bank loans		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		17,650	12,449
Non-current portion of long-term bank loans		1,940,656	1,770,361
Pension obligations		35,291	32,384
		1,993,597	1,815,194
Net assets		1,455,774	1,871,911
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		389,328	389,328
Reserves		743,175	1,130,525
Own shares held		(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

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	-	-	-	-	-	-	-	-	-	-	(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

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.

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 amendments to standards beginning 1 January 2011 is not material to the Group's results of operations or financial position.

2 Turnover, revenue and segment information

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.

2 Turnover, revenue and 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.

2 Turnover, revenue and 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

2 Turnover, revenue and 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.

2 Turnover, revenue and 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.

3 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).

4 Operating loss

Operating loss is stated after charging/crediting the following:

	2011 HK$'000	2010 HK$'000
Charging:		
Depreciation	57,180	64,888
Amortisation of other intangible assets	162,225	136,135
Cost of inventories sold	561,337	540,831
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	-	7,666
Exchange gain, net	19,792	24,279

5 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

6 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	(5,973)	7,312
Taxation charge	27,675	38,933

7 Dividends

No dividends had been paid or declared by the Company during the year (2010: 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$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).

9 Trade and other receivables

	Group 2011 HK$'000	Group 2010 HK$'000
Trade receivables	552,983	538,364
Prepayments, deposits and other receivables	307,968	297,876
	860,951	836,240

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 2011 and 2010, the ageing analyses of the Group's trade receivables were as follows:

	Group 2011 HK$'000	Group 2010 HK$'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

10 Trade and other payables

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	295,259	319,787
Other payables and accruals	753,102	906,362
	1,048,361	1,226,149

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

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

	Group	
	2011	2010
	HK$'000	HK$'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

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2011. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 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

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 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 announcement, it is compliant with most of the code provisions of the Code ahead of the scheduled effective dates.

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)