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 2013

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM Group Limited and its subsidiaries for the year ended 31 December 2013.

The Chinese government's efforts in boosting domestic consumption has brought changes to the economic structure and created opportunities particularly for our e-commerce business in Mainland China. Against this backdrop, the Group continued to invest in mobile Internet technology and the Ule joint venture to tap the growth momentum in the market. The Group reported HK$1,928 million revenues for the year. Excluding the non-recurring items, operating loss amounted to HK$207 million. Loss attributable to shareholders was HK$550 million.

The Group's e-commerce business saw robust growth during the past year. The new joint venture with China Post Group has attracted investors to join us unlocking the value of the Ule business. During the year, Ule reported 175% growth in its gross merchandise value (GMV) to RMB1,432 million. The average sales for branded goods per transaction jumped to RMB448 in the fourth quarter, at the high end range of other industry comparable peers.

The Mobile Internet Group reported revenues of HK$288 million as it migrated into a mobile Internet services landing platform for international business partners.

The Publishing Group maintained its revenues at HK$1,030 million with segment profit of HK$93 million in the reporting period. Digital and mobile reading continued to see strong momentum in the year, as the Group's "e-Reading now" digital reading platform saw an impressive growth last year with 57% year-on-year increase in registered users, offering more than 4,400 book and magazine titles in digital format to users.

** for identification purpose*

The Outdoor Media Group reported stable revenue of HK$366 million from a year earlier despite the tightening of government regulatory which affected the profitability of several operations.

The Television and Entertainment Group reported stable revenue of HK$218 million in the reporting period with segment loss reduced by 53 percent as a result of stringent cost control.

The Group has made approximately HK$1,700 million non-cash goodwill impairments relating primarily to its older wireless value-added services (WVAS) businesses in Mainland China, as well as in respect of the Outdoor Media Group and Television and Entertainment Group.

Going forward, TOM Group will maintain clear focus on financial and operating disciplines. Barring market instability and regulatory challenges, the management will continue to rationalise its business operations and invest its high-margin mobile Internet and fast-growing e-commerce businesses 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, 27 February 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2013	2012
	HK$'000	HK$'000
Revenue	1,927,731	2,205,916
Operating loss[1] before disposal gain and impairment charges[2]	(207,126)	(129,787)
Disposal gain	1,521,679	-
Impairment charges[2]	(1,733,836)	(136,280)
Loss attributable to equity holders of the Company	(550,073)	(337,187)
Loss per share (HK cents)	(14.13)	(8.66)

(1) Including share of results of investments accounted for using the equity method

(2) Impairment charges included goodwill and other assets impairment totalling HK$1,718,952,000 (2012: HK$136,280,000) and loss on deconsolidation of a subsidiary of HK$14,884,000 (2012: Nil). The provision for impairment of goodwill made in 2013 was related to Mobile Internet Group of HK$1,297,203,000 (2012: HK$120,280,000), Outdoor Media Group of HK$216,285,000 (2012: HK$6,000,000) and Television and Entertainment Group of HK$35,535,000 (2012: HK$10,000,000) respectively. In addition, a provision for impairment of goodwill and other assets amounted to HK$169,929,000 was made for an associated company based in Mainland China under the Publishing Group. Net impairment charge attributable to the equity holders of the Company amounted to HK$1,590,441,000 (2012: HK$124,254,000).

BUSINESS AND OPERATION REVIEW

The Group's e-commerce business marked an important milestone after Ule has realised the value and gained investors' endorsement with the completion of the latest round of financing, bringing Ule's post money valuation to HK$6,474 million (US$830 million). Following Ule's successful placement, the Group will continue to reconfigure and consolidate resources to focus on technology-centric investments, so as to enhance our business portfolio and unlock the asset value of each of our businesses.

E-Commerce – unique O_2O business model

Ule, which was founded by the Group and China Post Group, enjoys the benefits of a unique e-commerce business model with focus on offline to online ("O_2O") and mobile integration. Leveraging on China Post Group's existing extensive nationwide network, Ule is the exclusive e-commerce business platform of China Post which has access to 54,000 post offices and over 200,000 postal affiliated outlets across the nation's villages and towns to serve the users. The Chinese government's effort in boosting domestic consumption and nurturing a modernised agricultural industry presents another great and unique opportunity for Ule. An online agricultural product platform is established to sell farm produces from the place of origin. An enterprise and government procurement platform is also built to offer services for government departments and enterprises. In addition, Ule also offers e-commerce services to corporations in finance, telecommunications, insurance and airline sectors.

In 2013, Ule maintained its strong momentum. Gross merchandise value (“GMV”) of the Ule platform was RMB1,432 million in 2013, a 175% increase from previous year. Repeated buyers accounted for 66% of the total buyers in the fourth quarter last year, demonstrating strong user loyalty. Average sales per order for branded goods jumped to RMB448 as at the end of December last year.

Mobile Internet – a launching platform for new services

The Mobile Internet Group has consolidated its loyal user community from 2.5G WVAS to the mobile Internet open platform via the Group’s popular games and music services. With the buildout of the platform, the Group will begin to offer services and applications that are tailored for mobile phone users, such as mobile phone safety, followed by the beta launch of online video meeting service Zoom in October 2013. The Group will continue to develop its platform and services portfolio and target to realise the asset value at appropriate time.

Publishing – stable development with strong growth in digital business

The Publishing Group’s business reported stable performance in the reporting period with revenue maintained at HK$1,030 million. *Business Weekly* continued to be the market leader. Pixnet ranked the first among Taiwan domestic social network platform. Digital publishing business continued to grow, with digital revenues accounted for 10% of total revenue of the Publishing Group.

Outdoor Media – upgrade to LED and integrate with digital technology

During the reporting period, revenues of the Outdoor Media Group reached HK$366 million from previous year. The Group will continue to invest in LED billboards to enhance assets value, as well as to tap the mobile Internet trend, and offer integrated advertising solutions.

Television and Entertainment – loss narrowed significantly

Television and Entertainment Group maintained its revenue compared with previous year, segment loss narrowed by 53% from a year earlier as a result of improved operating efficiency.

The Group has made an approximately HK$1,700 million non-cash goodwill impairments relating primarily to the exit from 2.5G wireless value-added services (“WVAS”) businesses in Mainland China, due to the tightened regulatory environment and the outdated products and services; as well as in the Outdoor Media Group and Television and Entertainment Group.

FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2013

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

Revenue

The Group's revenue for the year ended 31 December 2013 amounted to HK$1,928 million, a 13% decrease from last year, following the exit from 2.5G WVAS business in Mainland China.

Segmental Results

The Mobile Internet Group reported gross revenues of HK$288 million and segment loss of HK$92 million, following the restructuring and exit from 2.5G WVAS business in Mainland China.

The Group continued to focus on its investment in the fast-growing e-Commerce business in Mainland China. The E-Commerce Group reported segment loss of HK$58 million as a result of its investment.

The Publishing Group delivered stable performance while investment in various digital initiatives continued. Gross revenues and segment profit was HK$1,030 million and HK$93 million respectively.

The Outdoor Media Group reported stable gross revenues of HK$366 million. Segment loss was HK$26 million, as a result of media assets investment and business consolidation.

The Television and Entertainment Group reported stable gross revenues of HK$218 million. Segment loss narrowed significantly to HK$37 million, due to improved operating efficiency.

Operating Loss

The Group's operating loss for the year amounted to HK$419 million, compared to last year's HK$266 million. Excluding the gain on disposal of interests in subsidiaries of HK$1,522 million, provision for impairment of goodwill and other assets of HK$1,719 million (2012: provision for impairment of goodwill of HK$136 million) and loss on deconsolidation of a subsidiary of HK$15 million in 2013, the operating loss from recurring operation was HK$207 million, compared to the operating loss of HK$130 million in 2012, as a result of business restructuring.

The gain on disposal of interests in subsidiaries of HK$1,522 million arose from the disposal of controlling interest in certain subsidiaries of the E-Commerce Group; these companies ceased to be subsidiaries and became joint ventures of the Group, which are accounted for using the equity method. The gain arising from the loss of control in these former subsidiaries was recorded in the consolidated income statement for the year. Net gain attributable to the equity holders of the Company amounted to HK$1,369 million.

The goodwill impairment for the Mobile Internet Group reflected the Group's exit from the 2.5G WVAS business and reconfigure and consolidate its resources and investment to focus on a technology-based and fast-growing mobile Internet services platform in Mainland China. The impairment charge for the other segments reflected management's conservative judgement as to the values of certain media assets given the rapid evolution of business models in these industries. These provisions were made with reference to the reduced estimated recoverable values of certain cash-generating units in the respective mentioned segments. The estimated recoverable value was determined based on value-in-use calculations according to financial budgets approved by management.

Due to deconsolidation of a subsidiary of the Outdoor Media Group, the net asset value of that subsidiary and the amount due from that subsidiary have been written off.

Taxation

Total taxation for the year amounted to HK$79,545,000 (2012: HK$26,916,000). A subsidiary of the Group in Taiwan had received revised income tax assessments for the years of 2004 to 2010 from the local tax authority since 2008, disallowing the full amount of goodwill amortisation for tax deduction that the subsidiary had claimed, totalling NT$977 million (approximately HK$253 million), which gave rise to a potential additional income tax liability of approximately NT$232 million (approximately HK$60 million). The subsidiary had filed petitions/appeals regarding these revised income tax assessments.

In August and September 2013, the subsidiary and the local tax authority reached an agreement to settle the 2004 and 2005 tax disputes. After these settlements, the local tax authority then reissued the 2006 to 2011 final income tax assessments to the subsidiary on the same basis of the 2004 and 2005 settlements in September 2013. As a result, the subsidiary accrued additional tax expenses of NT$129 million (approximately HK$34 million) for prior years in 2013.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company was HK$550 million, compared with HK$337 million in 2012.

Liquidity and Financial Resources

As at 31 December 2013, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK$695 million.

In December 2013, the Group entered into facility agreements with several independent financial institutions for providing an aggregate amount of HK$2,900 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.

A total of HK$3,507 million financing facilities were available, of which HK$2,321 million had been utilised as at 31 December 2013, to finance the Group's investment, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$2,321 million as at 31 December 2013. This included long-term bank loans of approximately HK$2,150 million and short-term bank loans of approximately HK$171 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 79% as at 31 December 2013, compared to 66% as at 31 December 2012.

As at 31 December 2013, the Group had net current assets of approximately HK$366 million, compared to balance of approximately HK$400 million as at 31 December 2012. As at 31 December 2013, the current ratio (Current assets/Current liabilities) of TOM Group was 1.30, compared to 1.31 at 31 December 2012.

In 2013, net cash inflow from operating activities before interest and taxation paid amounted to HK$50 million. Net cash used in operating activities after interest and taxation paid amounted to HK$36 million. Net cash outflow used in investing activities was HK$179 million, mainly included capital expenditures of HK$161 million, investment in an associated company and joint venture totalling HK$17 million. During the year, net cash inflow from financing activities amounted to HK$98 million, mainly included drawdown of bank loans, net of repayment, of HK$116 million, partially offset by payment of loan arrangement fee of HK$11 million and dividends paid to non-controlling interests of subsidiaries of HK$7 million.

Charges on Group Assets

As at 31 December 2013, 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 and to certain contractors in Mainland China as performance guarantee.

Subsequent events

On 16 January 2014, a joint venture, held as to 49% by a non-wholly owned subsidiary of the Group, signed a shareholders' agreement and a subscription agreement with several investors. Pursuant to the subscription agreement, the joint venture agreed to allot and issue and the investors agreed on a several basis to subscribe for certain Series A Preferred Shares representing 13.25% of the total share capital of the joint venture on a fully diluted basis at the aggregate investors' subscription price of US$110 million. Following completion of the investors' subscription, the joint venture became an associated company of the Group, held as to 42.51% by a non-wholly owned subsidiary of the Group, 44.24% by the joint venture partner and 13.25% by investors on a fully diluted basis. The Group would recognise a dilution gain of approximately HK$180 million, and a gain attributable to equity holders of the Company of approximately HK$160 million on this disposal in 2014.

Pursuant to the terms of the shareholders' agreement, and as soon as reasonably practicable, intercompany loans in the aggregate principal amount of RMB155 million due to the Group from the associated companies will be restructured into an unsecured convertible loan to be issued by an associated company to the Group.

Except for the above, there is no other subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

Foreign Exchange Exposure

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

Employee Information

As at 31 December 2013, TOM Group had approximately 2,600 full-time employees. Employee costs, excluding Directors' emoluments, totalled HK$593 million for the year (2012: HK$595 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 investments accounted for using the equity method and segment profit/(loss) excluding gain on disposal of interests in subsidiaries, provision for impairment of goodwill and other assets and loss on deconsolidation of a subsidiary, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, 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 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	2	1,927,731	2,205,916
Cost of sales	6	(1,343,111)	(1,580,502)
Selling and marketing expenses	6	(268,526)	(274,019)
Administrative expenses	6	(175,910)	(184,165)
Other operating expenses	6	(345,754)	(330,895)
Other gains, net	6	18,897	28,560
Gain on disposal of interests in subsidiaries	3	1,521,679	-
Provision for impairment of goodwill and other assets	4	(1,718,952)	(136,280)
Loss on deconsolidation of a subsidiary	5	(14,884)	-
Share of profits less losses of investments accounted for using the equity method		(20,453)	5,318
		(419,283)	(266,067)
Finance income	7	13,102	16,407
Finance costs	7	(66,482)	(67,550)
Finance costs, net	7	(53,380)	(51,143)
Loss before taxation		(472,663)	(317,210)
Taxation	8	(79,545)	(26,916)
Loss for the year		(552,208)	(344,126)
Attributable to:			
Non-controlling interests		(2,135)	(6,939)
Equity holders of the Company		(550,073)	(337,187)
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	10	HK(14.13) cents	HK(8.66) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	(552,208)	(344,126)
Item that will not be reclassified subsequently to income statement:		
Remeasurements for defined benefit plans	3,112	(4,636)
Items that have been reclassified or may be subsequently reclassified to income statement:		
Revaluation surplus on available-for-sale financial assets, net of tax	3,903	2,561
Exchange translation differences	63,464	16,227
Pension reserve recycled to income statement on disposal of a subsidiary	-	1,654
	67,367	20,442
Other comprehensive income for the year, net of tax	70,479	15,806
Total comprehensive expense for the year	(481,729)	(328,320)
Total comprehensive income/(expense) for the year attributable to:		
- Non-controlling interests	1,187	(86)
- Equity holders of the Company	(482,916)	(328,234)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		142,315	205,983
Goodwill		646,914	2,154,471
Other intangible assets		88,023	92,594
Investments accounted for using the equity method		1,435,970	232,570
Available-for-sale financial assets		24,137	20,546
Advance to an investee company		2,180	2,177
Deferred tax assets		34,421	51,794
Other non-current assets		6,725	12,602
		2,380,685	2,772,737
Current assets			
Inventories		114,096	114,130
Trade and other receivables	11	793,169	784,917
Restricted cash		3,105	2,963
Cash and cash equivalents		695,179	797,115
		1,605,549	1,699,125
Current liabilities			
Trade and other payables	12	945,806	1,034,187
Taxation payable		48,836	48,653
Long-term bank loans - current portion		73,901	76,067
Short-term bank loans		171,138	140,389
		1,239,681	1,299,296
Net current assets		365,868	399,829
Total assets less current liabilities		2,746,553	3,172,566
Non-current liabilities			
Deferred tax liabilities		6,398	11,340
Non-current portion of long-term bank loans		2,075,718	1,999,502
Pension obligations		37,120	40,089
		2,119,236	2,050,931
Net assets		627,317	1,121,635
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		389,328	389,328
(Deficits)/Reserves		(66,792)	416,648
Own shares held		(6,244)	(6,244)
		316,292	799,732
Non-controlling interests		311,025	321,903
Total equity		627,317	1,121,635

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	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
Remeasurements for 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	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 2013	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
Comprehensive income:												
Loss for the year	-	-	-	-	-	-	-	-	(550,073)	(550,073)	(2,135)	(552,208)
Other comprehensive income:												
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	3,903	-	-	3,903	-	3,903
Remeasurements for defined benefit plans	-	-	-	-	-	-	-	-	3,353	3,353	(241)	3,112
Exchange translation differences	-	-	-	-	-	-	-	59,901	-	59,901	3,563	63,464
Total comprehensive income/(expense) for the year ended 31 December 2013	-	-	-	-	-	-	3,903	59,901	(546,720)	(482,916)	1,187	(481,729)
Transactions with equity holders:												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,796)	(6,796)
Dilution of non-controlling interests upon capital injection in a subsidiary	-	-	-	(524)	-	-	-	-	-	(524)	524	-
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,154)	(3,154)
Distribution to non-controlling interests upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,531)	(4,531)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,892	1,892
Transfer to general reserve	-	-	-	-	-	6,078	-	-	(6,078)	-	-	-
Transfer to retained earnings upon expiry of share options	-	-	-	(38,683)	-	-	-	-	38,683	-	-	-
Transactions with equity holders	-	-	-	(39,207)	-	6,078	-	-	32,605	(524)	(12,065)	(12,589)
Balance at 31 December 2013	389,328	(6,244)	3,625,981	(11,186)	776	150,542	8,012	790,965	(4,631,882)	316,292	311,025	627,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The financial information has been extracted from the Group's audited consolidated financial statements, which 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. During the year ended 31 December 2013, certain subsidiaries ceased to be subsidiaries and became joint ventures of the Group, which are accounted for using the equity method.

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 new standards, revised standards and amendments to standards that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2013.

Except as described below, the adoption of these new standards, revised standards and amendments to standards does not have a material impact on the Group's accounting policies.

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 has no impact on the consolidation of investments held by the Group.

HKFRS 11 Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

Under HKFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike HKAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

HKFRS 12 Disclosures of Interests in Other Entities

HKFRS 12 includes new disclosures for all form of interests in other entities, including subsidiaries and joint arrangements. Accordingly, the Group provides these disclosures in the notes to the financial statements.

1 Basis of preparation (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Accordingly, the Group provides these disclosures in the notes to the financial statements.

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

HKAS 19 Employee Benefits (Revised 2011) ("HKAS 19 (2011)")

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from income statement; expected returns on plan assets are no longer recognised in income statement and instead, interest on the net defined benefit liability (asset) is in income statement, calculated using the discount rate used to measure the defined benefit obligation, and unvested past service costs are now recognised in income statement in the period and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) requires retrospective application. The application of this revised standard had no material impact on the Group's results of operations or financial position.

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 2013 are as follows:

	Year ended 31 December 2013					
	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	287,546	27,030	1,030,041	365,981	217,804	1,928,402
Inter-segment revenue	-	-	-	-	(671)	(671)
Net revenue from external customers	287,546	27,030	1,030,041	365,981	217,133	1,927,731
Segment profit/(loss) before amortisation and depreciation	(68,654)	(52,417)	210,917	8,194	(23,923)	74,117
Amortisation and depreciation	(23,635)	(5,699)	(117,751)	(34,154)	(12,732)	(193,971)
Segment profit/(loss)	(92,289)	(58,116)	93,166	(25,960)	(36,655)	(119,854)
Other material non-cash items:						
Gain on disposal of interests in subsidiaries	-	1,521,679	-	-	-	1,521,679
Provision for impairment of goodwill and other assets	(1,297,203)	-	(169,929)	(216,285)	(35,535)	(1,718,952)
Loss on deconsolidation of a subsidiary	-	-	-	(14,884)	-	(14,884)
Share of profits less losses of investments accounted for using the equity method	(252)	(3,745)	(16,456)	-	-	(20,453)
	(1,297,455)	1,517,934	(186,385)	(231,169)	(35,535)	(232,610)
Finance costs:						
Finance income (note a)	10,316	71	21,941	1,109	72	33,509
Finance expenses (note a)	-	-	(12,484)	-	(23,523)	(36,007)
	10,316	71	9,457	1,109	(23,451)	(2,498)
Segment profit/(loss) before taxation	(1,379,428)	1,459,889	(83,762)	(256,020)	(95,641)	(354,962)
Unallocated corporate expenses						(117,701)
Loss before taxation						(472,663)
Expenditure for operating segment non-current assets	3,611	1,321	127,033	14,073	14,449	160,487
Unallocated expenditure for non-current assets						569
Total expenditure for non-current assets						161,056

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK$21,205,000 and HK$24,724,000 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 2013 are as follows:

	As at 31 December 2013					
	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	649,427	115,280	1,265,206	322,273	143,766	2,495,952
Investments accounted for using the equity method	4,623	1,390,709	40,638	-	-	1,435,970
Unallocated assets						54,312
Total assets						3,986,234
Segment liabilities	242,223	51,123	405,215	109,608	57,409	865,578
Unallocated liabilities:						
Corporate liabilities						117,348
Current taxation						48,836
Deferred taxation						6,398
Borrowings						2,320,757
Total liabilities						3,358,917

2 Turnover, revenue and segment information (Continued)

The segment results for the year ended 31 December 2012 are 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 less losses of investments accounted for using the equity method	636	12,034	(7,352)	-	-	5,318
	(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 are 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
Investments accounted for using the equity method	4,804	8,798	218,968	-	-	232,570
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

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 Gain on disposal of interests in subsidiaries

Following the disposal of controlling interests in certain subsidiaries of E-Commerce Group, these companies ceased to be subsidiaries and became joint ventures of the Group, which are accounted for using the equity method. The gain arising from the loss of control in these former subsidiaries of HK$1,521,679,000 was recorded in the consolidated income statement for the year. Net gain attributable to the equity holders of the Company amounted to HK$1,368,542,000.

4 Provision for impairment of goodwill and other assets

		2013 HK$'000	2012 HK$'000
Provision for impairment of goodwill in respect of :			
- subsidiaries	(a)	1,549,023	136,280
- an associated company	(b)	141,229	-
Provision for impairment of other assets of an associated company	(b)	28,700	-
		1,718,952	136,280
Less: attributable to non-controlling interests		(128,511)	(12,026)
Provision attributable to equity holders of the Company		1,590,441	124,254

(a) The provision for impairment of goodwill was related to Mobile Internet Group of HK$1,297,203,000 (2012: HK$120,280,000), Outdoor Media Group of HK$216,285,000 (2012: HK$6,000,000) and Television and Entertainment Group of HK$35,535,000 (2012: HK$10,000,000) respectively. These provisions were made with reference to the reduced estimated recoverable values of certain cash-generating units in the respective mentioned segments. The estimated recoverable value was determined based on value-in-use calculations according to financial budgets approved by management.

(b) Management reviewed and concluded that the recoverable amount of an associated company based in Mainland China under the Publishing Group is lower than its carrying value, therefore, its carrying value of goodwill and other assets were written down to reflect the estimated recoverable value of the associated company.

(c) The goodwill impairment for the Mobile Internet Group reflected the Group's exit from 2.5G WVAS business and reconfigure and consolidate its resources and investment to focus on a technology-based and fast-growing mobile Internet services platform in Mainland China. The impairment charge for the other segments reflected management's conservative judgement as to the values of certain media assets given the rapid evolution of business models in these industries.

5 Loss on deconsolidation of a subsidiary

Due to the deconsolidation of a subsidiary of the Outdoor Media Group, the net asset value of the subsidiary and the amount due from the subsidiary have been written off.

6 Operating loss

Operating loss is stated after charging/crediting the following:

	2013 HK$'000	2012 HK$'000
Charging:		
Depreciation	79,120	59,313
Amortisation of other intangible assets	115,485	164,978
Loss on disposal of fixed assets	19	759
Crediting:		
Dividend income from available-for-sale financial assets	950	1,560
Gain on disposal of subsidiaries	-	3,745
Exchange gain, net	17,966	23,929

7 Finance costs, net

	2013 HK$'000	2012 HK$'000
Interest and borrowing costs on bank loans	64,590	65,653
Interest on other loans	1,892	1,897
	66,482	67,550
Less: Bank interest income	(13,102)	(16,407)
	53,380	51,143

8 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 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:

	2013 HK$'000	2012 HK$'000
Overseas taxation	35,310	39,798
Under-provision in prior years (note)	32,235	2,428
Deferred taxation	12,000	(15,310)
Taxation charge	79,545	26,916

8 Taxation (Continued)

Note:

A subsidiary of the Group in Taiwan had received revised income tax assessments for the years of 2004 to 2010 from the local tax authority since 2008, disallowing the full amount of goodwill amortisation for tax deduction that the subsidiary had claimed, totalling NT$977 million (approximately HK$253 million), which gave rise to a potential additional income tax liability of approximately NT$232 million (approximately HK$60 million). The subsidiary had filed petitions/appeals regarding these revised income tax assessments.

In August and September 2013, the subsidiary and the local tax authority reached an agreement to settle the 2004 and 2005 tax disputes. After these settlements, the local tax authority then reissued the 2006 to 2011 final income tax assessments to the subsidiary on the same basis of the 2004 and 2005 settlements in September 2013. As a result, the subsidiary accrued additional tax expenses of NT$129 million (approximately HK$34 million) for prior years in 2013.

9 Dividends

No dividends had been paid or declared by the Company during the year (2012: Nil).

10 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$550,073,000 (2012: HK$337,187,000) and the weighted average of 3,893,270,558 (2012: 3,893,270,558) ordinary shares in issue during the year.

(b) Diluted

During the year, all the outstanding share options granted by the Company were expired and cancelled, such that the diluted loss per share is equal to the basic loss per share for the year ended 31 December 2013. As at 31 December 2012, diluted loss per share is equal to the basic loss per share as the exercise price of the outstanding share options granted by the Company were higher than the average market price of the shares of the Company.

11 Trade and other receivables

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	397,111	528,297
Prepayments, deposits and other receivables	396,058	256,620
	793,169	784,917

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 2013 and 2012, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current	94,622	125,876
31-60 days	114,330	120,174
61-90 days	64,569	87,012
Over 90 days	217,843	287,190
	491,364	620,252
Less: Provision for impairment	(94,253)	(91,955)
	397,111	528,297

12 Trade and other payables

	Group	
	2013	2012
	HK$'000	HK$'000
Trade payables	280,640	340,562
Other payables and accruals	665,166	693,625
	945,806	1,034,187

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

As at 31 December 2013 and 2012, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current	60,700	86,490
31-60 days	28,045	67,013
61-90 days	15,521	31,440
Over 90 days	176,374	155,619
	280,640	340,562

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the financial statements of the Group for the year ended 31 December 2013. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 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.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013, save and except Code Provisions A.5 and E.1.2 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, with due regard to the benefits of diversity on the Board, 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.

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 13 May 2013 due to other business engagement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares. In addition, the Company has not redeemed any of its listed shares during the year.

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*	*Mr. James Sha*
	Mr. Edmond Ip	*Mr. Albert Ip*
	Mrs. Angelina Lee	
		Alternate Director:
		Mrs. Susan Chow
		(Alternate to Mr. Frank Sixt)