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TOM Group Limited

TOM集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2383)

**DISCLOSEABLE TRANSACTION  
FORMATION OF JOINT VENTURE AND INVESTORS SUBSCRIPTION  
AND  
RESUMPTION OF TRADING**

**FORMATION OF JOINT VENTURE**

On 16 January 2014, the Group signed an agreement to establish, with effect from 28 December 2013, a new joint venture with the China Post Group using Ule Holdings (formerly known as TOM Technical Limited) as the vehicle, to be held as to 49% and 51% by the Group and the China Post Group respectively as the platform for operating an e-commerce business in China, mirroring the ownership structure and adopting a similar business model as that of the Ule Group.

The Group's contribution to the Joint Venture will include (i) providing marketing resources to the Joint Venture up to the amount of RMB155 million, for the purposes of development and promotion of the business and services of the Joint Venture Group, in particular its mobile business and services, (ii) accepting the issue of a convertible loan in the principal amount of RMB155 million, and (iii) a transfer of certain software, tangible assets and intangible assets relating to the business of the Joint Venture Group. China Post Group's contribution to the Joint Venture will include the subscription price for new shares in the Joint Venture totaling US\$4,423.85, representing the aggregate par value of such new shares, in cash and its commitment to using the Joint Venture Group as the exclusive platform on which to build its e-commerce business for sale and purchase of goods. Neither the Group nor China Post Group has agreed to any other commitment to subscribe for capital or provide any guarantee or indemnity in connection with the establishment of the Joint Venture.

**THE INVESTORS SUBSCRIPTION**

On 16 January 2014, the Joint Venture signed a subscription agreement with the Investors, pursuant to which, and subject to its terms and conditions, the Joint Venture has agreed to allot and issue, and

the Investors have agreed on a several basis to subscribe for, an aggregate of 132,529 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.

Immediately following completion of the Investors Subscription, the Joint Venture will be held as to 42.51% by the Group, 44.24% by the China Post Group and 13.25% by the Investors on a Fully Diluted Basis.

### **LISTING RULES IMPLICATIONS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of China Post Group, the Investors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

The formation of the Joint Venture and the Investors Subscription will, on an aggregated basis, constitute a discloseable transaction for the Company under the Listing Rules as one or more of the relevant percentage ratios, on an aggregated basis, is or are more than 5% but less than 25%. The entering into of such transactions are therefore exempt from the shareholders' approval requirements and are only subject to the reporting and announcement requirements set out in the Listing Rules.

### **TRADING SUSPENSION AND RESUMPTION**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 16 January 2014, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 17 January 2014.

The Board is pleased to announce that on 16 January 2014, (i) the Group signed an agreement to establish, with effect from 28 December 2013, a new joint venture with the China Post Group using Ule Holdings (formerly known as TOM Technical Limited) as the vehicle to be held as to 49% and 51% by the Group and China Post Group respectively, and (ii) the Joint Venture agreed to issue and allot new shares to the Investors on terms of the Investors Subscription Agreement as required to be disclosed in this announcement under the Listing Rules.

### **FORMATION OF NEW JOINT VENTURE**

On 16 January 2014, the Group signed a subscription agreement (the **China Post Subscription Agreement**) to establish, with effect from 28 December 2013, a new joint venture with the China Post Group to be held as to 49% and 51% by the Group and the China Post Group respectively (the **Joint Venture**) for operating an e-commerce business in China using Ule Holdings (formerly known as TOM Technical Limited) as the vehicle, mirroring the ownership structure and adopting a similar business model as that of the Ule Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the China Post Group and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

The Group's contribution to the Joint Venture will include (i) providing marketing resources to the Joint Venture up to the amount of RMB155 million, for the purposes of development and promotion

of the business and services of the Joint Venture Group, in particular its mobile business and services, (ii) accepting the issue of a convertible loan in the principal amount of RMB155 million (the **Convertible Loan**), and (iii) a transfer of certain software, tangible assets and intangible assets relating to the business of the Joint Venture Group. China Post Group's contribution to the Joint Venture will include the subscription price for 442,385 new ordinary shares in the Joint Venture (collectively the **China Post Subscription Shares**) totaling US\$4,423.85, representing the aggregate par value of such new shares, payable in cash and its commitment to use the Joint Venture Group as the exclusive platform on which to build its e-commerce business for sale and purchase of goods. Neither the Group nor China Post Group has agreed to any other commitment to subscribe for capital or provide any guarantee or indemnity in connection with the establishment of the Joint Venture. The consideration for the China Post Subscription Shares has been determined after arm's length negotiations between the Company and China Post Group with reference to the net asset value of the Joint Venture prior to Completion and taking into account the prevailing and expected commercial and business conditions in which the Ule Group is, or the Joint Venture Group will be, operating and the expected values of the respective contributions of the China Post Group and the Group to the Joint Venture.

The Convertible Loan will be repaid or, at the option of the Joint Venture, the principal amount will be converted into Series A Preferred Shares at a conversion price per Series A Preferred Share which is the same as the price per Investors Subscription Share paid by the Investors pursuant to Investors Subscription Agreement, at the earlier of (i) the expiration of five years after Completion; or (ii) immediately prior to the completion of a subsequent financing of the Joint Venture which is in excess of US\$200,000,000.

The China Post Subscription Agreement also contains warranties, indemnity, covenants, provisions as to parties' board representation in the Joint Venture and other provisions in favour of the China Post Group which are customary for transactions of this nature and which the Directors believe to be fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **THE INVESTORS SUBSCRIPTION**

On 16 January 2014, the Joint Venture signed a subscription agreement with the Investors, pursuant to which, and subject to its terms and conditions, the Joint Venture has agreed to allot and issue, and the Investors have agreed severally (but not jointly) to subscribe for, an aggregate of 132,529 Series A Preferred Shares representing 13.25% of the total share capital of the Joint Venture on a Fully Diluted Basis at the aggregate subscription price of US\$110 million in cash at completion (**Completion**).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Investors and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

The Investors Subscription price has been determined after arm's length negotiations between the Group (including the Joint Venture) and the Investors with reference to the net asset value of the Joint Venture prior to Completion and taking into account the prevailing and expected commercial and business conditions in which the Ule Group is, or the Joint Venture Group will be, operating and the expected values of the respective contributions of the China Post Group and the Group to the Joint Venture.

## Series A Preferred Shares

The Investors Subscription Shares shall be Series A Preferred Shares, par value US\$0.01 per share in the share capital of the Joint Venture. The Series A Preferred Shares shall be convertible into Ordinary Shares at an initial conversion ratio of 1:1, subject to customary adjustments for changes in capital structure, and shall rank *pari passu* with Ordinary Shares (on an as-converted basis) in respect of voting rights and receipt of dividends. Upon occurrence of a Liquidation Event, the holder of each Series A Preferred Share shall be entitled to receive an amount equal to the sum of the full amount of the Investors Subscription Price per share, all dividends declared and unpaid with respect to each Series A Preferred Share plus an amount equal to a 7% return (compounding annually from the Completion Date), after which the holder of each Ordinary Share shall be entitled to receive the same amount of distribution or payment so distributed to the holder of each Series A Preferred Share as aforementioned. Any remainder shall be distributed ratably among the holders of the outstanding Ordinary Shares and Series A Preferred Shares (on an as-converted basis).

## Conditions Precedent

The conditions to which Completion is subject include:

- (a) the passing of all relevant resolutions by the shareholders and board of directors of Ule Holdings;
- (b) the issuing of the China Post Subscription Shares under the China Post Subscription Agreement; and
- (c) completion of subscription for a minimum of US\$95,000,000 of Series A Preferred Shares in accordance with the terms of the Investors Subscription Agreement having occurred.

If any of the conditions precedent to the Investors Subscription Agreement is not satisfied (or waived) by the Long Stop Date, any party to the Investors Subscription Agreement may terminate the Investors Subscription Agreement by serving notice on the other parties (subject to survival of certain enumerated clauses).

Subject to the fulfilment (or waiver) of the conditions precedent to the Investors Subscription Agreement, Completion shall take place on the Completion Date.

## Other Terms

Immediately following the China Post Subscription and the Investors Subscription, the Joint Venture will be held as to 42.51% by the Group, 44.24% by the China Post Group and 13.25% by the Investors of the total share capital of the Joint Venture on a Fully Diluted Basis. At Completion, a member of the Group, a member of the China Post Group and the Investors will enter into a shareholders agreement to regulate the relationship between the parties, certain rights of the parties and the way in which the Joint Venture is to be managed (the **Joint Venture Shareholders' Agreement**), including provisions governing board representation, rights to second round financing, drag-along right, right of first refusal, and co-sale right in respect of the Joint Venture.

At Completion, a member of the Group will agree to make whole the Investors such that the Investors will receive the same amount upon occurrence of Liquidation Events affecting the Joint Venture as the Investors would have received had the Convertible Loan been converted into Series A Preferred Shares.

## **REASONS AND BENEFITS OF THE TRANSACTIONS**

The Directors consider that the formation of the Joint Venture and the Investors Subscription will enable the Ule Group to accelerate the development of its business to capture the fast-growing e-commerce business in China and, on expansion, outside of China.

On implementation of the Transactions, the Company expects to recognise a gain attributable to the shareholders of the Company of an aggregate of approximately HK\$1.5 billion, of which approximately HK\$1.3 billion will be reported in 2013 and approximately HK\$160 million will be reported in 2014, principally from the loss of control in Ule Holdings pursuant to relevant Hong Kong Financial Reporting Standards. The aforesaid gain is calculated by reference to the fair value of the interest retained in the Joint Venture Group and the net asset value of the Ule Group currently recorded in the Company's consolidated financial statements. The actual financial impact of the Transactions on the Company in the relevant financial year will be subject to audit by the Company's independent auditor.

The proceeds arising from the Transactions will be used by the Joint Venture for the operation of its business and general corporate purposes.

The Directors consider the formation of the Joint Venture and the Investors Subscription (including the terms of the Investors Subscription Agreement and Shareholders' Agreement) to be fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

The abovementioned gain will partially offset non-cash losses attributable to the shareholders of the Company totaling approximately HK\$1.6 billion that the Group expects to record in its annual accounts for 2013 arising from goodwill impairments relating primarily to its older WVAS mobile internet businesses in Mainland China. The actual financial impact of the goodwill impairment will be subject to audit by the Company's independent auditor.

## **INFORMATION ON THE GROUP**

The Group is a leading Chinese-language media conglomerate with diverse business interests in E-commerce, mobile Internet, publishing, outdoor media, television and entertainment. The Group has operations throughout Mainland China, Taiwan and Hong Kong. The Company was founded in October 1999 as a joint venture between Hutchison Whampoa Limited, Cheung Kong (Holdings) Limited and other strategic investors. The Company is headquartered in Hong Kong, with regional headquarters in Beijing, Shanghai and Taipei.

## **INFORMATION ON THE ULE GROUP**

The Ule Group is engaged in the e-commerce business through its ownership and operation of the B2C shopping platforms [www.ule.com](http://www.ule.com) and [www.ule.com.hk](http://www.ule.com.hk), which enable merchants to sell to customers. The Ule Group comprises (i) Beijing Ule, which operates the PRC onshore business through its subsidiaries; (ii) Hong Kong Ule, which operates the non-PRC offshore business; and (iii) Ule Holdings and its subsidiaries, including Shanghai TOM, which is the technical platform for the Ule Group. Following completion of the Transactions, it is contemplated that the Joint Venture will be the holding company for the operation of e-commerce activities conducted by that group.

The following is the financial information of Ule Holdings (together with its subsidiaries) as extracted from its unaudited consolidated financial statements for the two financial years ended 31 December 2011 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the years ended 31 December,</b>	
	<b>2011</b>	<b>2012</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<b>Consolidated net loss before tax</b> .....	16,584	65,563
<b>Consolidated net loss after tax</b> .....	16,584	65,563

As at 31 December 2012, the consolidated net liability of Ule Holdings (together with its subsidiaries) was HK\$84,724,000.

The following is the financial information of Beijing Ule (together with its subsidiaries) as extracted from the unaudited consolidated financial statements for the two financial years ended 31 December 2011 and 2012 prepared in accordance with the generally accepted accounting principles in the PRC:

	<b>For the years ended 31 December,</b>	
	<b>2011</b>	<b>2012</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Consolidated net profit before tax</b> .....	1,195	6,209
<b>Consolidated net profit after tax</b> .....	815	5,444

As at 31 December 2012, the consolidated net asset value of Beijing Ule (together with its subsidiaries) was RMB14,259,000.

The following is the financial information of Hong Kong Ule as extracted from its audited financial statements for the relevant financial period/year ended 31 December 2011 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the period/year ended 31 December,</b>	
	<b>2011</b>	<b>2012</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<b>Net profit (loss) before tax</b> .....	(32)	172
<b>Net profit (loss) after tax</b> .....	(32)	172

As at 31 December 2012, the net asset value of Hong Kong Ule was HK\$240,000.

Following completion of the Transactions, Ule Holdings will cease to be consolidated as a subsidiary of the Company and will be accounted for as an associated company of the Company.

## **INFORMATION ON THE CHINA POST GROUP**

The China Post Group is the official postal distribution agency in the PRC with more than 50,000 post offices and a nationwide logistics network.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the China Post Group and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **INFORMATION ON THE INVESTORS**

The principal business activity of each of the Investors is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Investors and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## **LISTING RULES IMPLICATIONS**

The Transactions (comprising the formation of the Joint Venture and the Investors Subscription) constitute, on an aggregated basis, pursuant to Rule 14.22 of the Listing Rules, a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, as one or more of the relevant percentage ratios, on an aggregated basis, is or are more than 5% but less than 25%. The entering into of the Transactions are therefore exempt from the shareholders' approval requirements and are only subject to the reporting and announcement requirements set out in the Listing Rules.

## **TRADING SUSPENSION AND RESUMPTION**

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 16 January 2014, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 17 January 2014.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Beijing Ule”	means 北京郵樂電子商務有限公司 (Beijing Ule E-Commerce Company Limited), a company incorporated under the laws of the PRC.
“Board”	means the board of directors of the Company.
“Business Day”	means a day (other than a Saturday, Sunday or public holiday) on which banks are generally open in Hong Kong, London and New York for normal business.
“China Post E-Commerce”	means China Post E-Commerce Co., Ltd., a company incorporated under the laws of the PRC and a subsidiary of China Post Group.
“China Post Group”	means China Post Group Limited, a state-owned enterprise of the PRC, and its subsidiaries (including China Post HK).
“China Post HK”	means Telpo Philatelic Company Limited, a company incorporated under the laws of Hong Kong and a subsidiary of China Post Group.
“China Post Subscription Agreement”	means the agreement dated 16 January 2014 signed by and among China Post HK, TOM E-Commerce, China Post E-Commerce and Shenzhen New ECLink Network Information Technology

Company Limited as to the terms upon which the Joint Venture is established with effect from 28 December 2013.

“China Post Shares”	Subscription	means an aggregate of 442,385 Ordinary Shares representing 44.24% of the share capital of the Joint Venture on a Fully Diluted Basis to be subscribed by China Post HK as of the Completion Date (and taking into account the Series A Preferred Shares issuable under the Investors Subscription Agreement).
“Company”		means the TOM Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange.
“Completion”		means completion of the Investors Subscription subject to and in accordance with the terms and conditions of the Investors Subscription Agreement.
“Completion Date”		means the date fixed for Completion, which is to be the fifth Business Day after the date on which the last of the conditions precedent to the Investors Subscription Agreement is satisfied (or waived) (or such other date as the Joint Venture and the Investors may agree).
“connected person”		has the meaning ascribed to such expression in the Listing Rules.
“Director”		means a director of the Company.
“Fully Diluted Basis”		means, at any relevant time, on the basis of the total number of Ordinary Shares then outstanding, assuming the issuance, conversion, exchange or exercise in full of all the then outstanding Series A Preferred Shares and any share options or other securities that have been issued by Ule Holdings.
“Group”		means the Company and its subsidiaries taken as a whole.
“HK\$”		means Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”		means the Hong Kong Special Administrative Region of the PRC.
“Hong Kong Ule”		means China Ule Commerce Limited, a company incorporated under the laws of Hong Kong.
“Investors”		means the four parties named as investors in the Investors Subscription Agreement who, together with their respective ultimate beneficial shareholders, are, to the best of the Directors’ knowledge, information and belief, are third parties independent of the Company and connected persons of the Company.
“Investors Subscription”		means the allotment and issue of the Investors Subscription Shares to the Investors.
“Investors Subscription		means the Investors Subscription agreement dated 16 January



Agreement”	2014 signed by and among the Joint Venture and each of the Investors pursuant to which the Joint Venture has agreed to allot and issue and the Investors have agreed to subscribe for the Investors Subscription Shares.
“Investors Subscription Shares”	means an aggregate of 132,529 Series A Preferred Shares representing 13.25% of the share capital of Ule Holdings on a Fully Diluted Basis to be subscribed by the Investors, severally but not jointly, upon Completion.
“Joint Venture Group”	means the Joint Venture and its subsidiaries.
“Lead Investor”	means the Investor who will hold the largest percentage of Series A Preferred Shares immediately after Completion.
“Liquidation Event”	means any involuntary liquidation, dissolution or winding up of Ule Holdings instituted by parties other than the parties to the Shareholders’ Agreement, resulting from Ule Holdings becoming insolvent or being unable to pay its debts as they fall due.
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange.
“Long Stop Date”	means 31 January 2014 or such other extended date as the parties mutually agree in writing.
“Minimum Price”	means consideration that will enable the Investors to receive, in the aggregate, an amount being the greater of four times of or 20% internal rate of return on the Investors Subscription Price.
“Ordinary Shares”	means the ordinary shares of Ule Holdings, of par value US\$0.01 per share.
“PRC”	means the People’s Republic of China.
“RMB”	means Renminbi, the lawful currency of the PRC.
“Series A Preferred Shares”	means the voting, convertible Series A Preferred Shares of Ule Holdings, par value of US\$0.01 per share in the share capital of Ule Holdings, convertible into Ordinary Shares at an initial conversion ratio of one Ordinary Share per Series A Preferred Share.
“Shanghai TOM”	means 上海唐世網絡技術服務有限公司 (Shanghai TOM Network Technology Services Co., Ltd.), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of Ule Holdings.
“Shareholders’ Agreement”	means the shareholders’ agreement to be entered into among the Joint Venture, China Post HK, TOM E-Commerce and the Investors at Completion.

“Shares”	means and includes all Ordinary Shares and Series A Preferred Shares and any other securities of Ule Holdings the holders of which are entitled to vote for members of the board of directors, including without limitation, all Ordinary Shares and Series A Preferred Shares, by whatever name called, now owned or subsequently acquired by a shareholder, however acquired, whether through stock splits, stock dividends, reclassifications, recapitalisations, similar events or otherwise.
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“TOM E-Commerce”	means TOM E-Commerce Limited, a company incorporated under the laws of the British Virgin Islands and an indirect non-wholly-owned subsidiary of the Company as of the date of this announcement.
“Transactions”	means collectively the establishment of the Joint Venture in accordance with the China Post Subscription Agreement and the Investors Subscription in accordance with the Investors Subscription Agreement.
“Ule Group”	means, as at the date of this announcement, Beijing Ule, Hong Kong Ule and Ule Holdings and their respective subsidiaries.
“Ule Holdings” or the “Joint Venture”	means Ule Holdings Limited (formerly known as TOM Technical Limited), a company incorporated under the laws of the British Virgin Islands and an indirect non-wholly-owned subsidiary of the Company prior to the establishment of the Joint Venture and completion of the Investors Subscription.
“US\$”	means United States dollars, the lawful currency of the United States of America.

By Order of the Board  
**TOM GROUP LIMITED**  
**Angela Mak**  
*Executive Director*

Hong Kong, 16 January 2014

*As at the date hereof, the Directors are:*

*Executive Directors:*

*Mr. Yeung Kwok Mung  
Ms. Angela Mak*

*Non-executive Directors:*

*Mr. Frank Sixt (Chairman)  
Ms. Debbie Chang  
Mr. Edmond Ip  
Mrs. Angelina Lee*

*Independent Non-executive  
Directors:*

*Mr. Henry Cheong  
Mr. James Sha  
Mr. Albert Ip*

*Alternate Director:*

*Mrs. Susan Chow  
(Alternate to Mr. Frank Sixt)*

*\* for identification purpose*