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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)

## **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

### **CHAIRMAN'S STATEMENT**

I am pleased to announce the results of TOM Group Limited and its subsidiaries for the year ended 31 December 2014.

In 2014, the Group's revenue reached HK\$1.511 billion, operating loss narrowed to HK\$194 million. Loss attributable to shareholders, including disposal gain of interest in Ule, was HK\$85 million.

During the reporting period, Ule ([www.ule.com](http://www.ule.com)), the e-commerce joint venture between the Group and China Post, continued its strong growth. Gross merchandise value (GMV) jumped 354% from previous year to RMB6.497 billion in 2014. Ule has been expanding its footprint in China's rural e-commerce market. As at the end of 2014, more than 40,000 of China Post's rural franchised stores in 21 provinces joined Ule's rural e-commerce platform, offering a wide range of services to franchisees as well as new e-commerce supply opportunities for their rural customers in rural villages.

During the period, TOM Group and Ule co-invested in WeLab Holdings Limited ("WeLab"), a Hong Kong based online consumer finance company. By partnering with China Post and Ule, WeLab is expected to accelerate its service rollout in China. In January 2015, TOM and Ule also co-invested in Rubikloud Technologies Inc. ("Rubikloud"), a Canadian based company specialising in retail intelligence. Rubikloud will provide leading edge big data analytics services for Ule.

The Mobile Internet Group reported revenues of HK\$89 million. Following our exit from traditional WVAS businesses, the management of the division has focused on streamlining the Group's operations and evaluating the progress and prospects of its mobile games business.

The Publishing Group maintained a stable performance during the reporting period, with segment revenues and profit of HK\$959 million and HK\$61 million respectively.

The Outdoor Media Group reported revenues of HK\$230 million with segment loss reduced by 15% from previous year. The Television and Entertainment Group reported its revenues at HK\$230 million in the period.

Going forward, TOM Group will maintain financial and operating discipline in its core business. However, the Group's main focus in 2015 will be the continuing development of Ule.

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 John Sixt**  
*Chairman*

Hong Kong, 24 February 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2014	2013
	HK\$'000	HK\$'000
Consolidated revenue	1,511,033	1,927,731
Operating loss <sup>(1)</sup> before disposal gains <sup>(2)</sup> and impairment charges <sup>(3)</sup>	(193,551)	(207,126)
Disposal gains <sup>(2)</sup>	188,198	1,521,679
Impairment charges <sup>(3)</sup>	-	(1,733,836)
Loss attributable to equity holders of the Company	(84,879)	(550,073)
Loss per share (HK cents)	(2.18)	(14.13)

<sup>(1)</sup> Including share of results of investments accounted for using the equity method

<sup>(2)</sup> Disposal gains in both years related to the E-Commerce Group

<sup>(3)</sup> The Group did not incur any impairment charges in 2014 (2013: goodwill and other assets impairment totalling HK\$1,718,952,000 and loss on deconsolidation of a subsidiary of HK\$14,884,000)

### BUSINESS AND OPERATION REVIEW

During the review period, the Group and China Post focused on driving the rapid growth of Ule, a unique offline-to-online e-commerce platform. In addition, the Group also partnered with Ule to engage in technology-based strategic investment projects to tap the rapid growth of China e-commerce market. During the reporting period, the Group invested in online consumer financing company WeLab. In January 2015, the Group also invested in big data analytics service provider Rubikloud, facilitating the Group's development in the high growth technology sector.

In addition, the Group continued to rationalise its resources deployment of existing businesses to enhance operating efficiency and unlock the asset value. Revenue maintained at HK\$1.511 billion; gross profit margin expanded 3.1 percentage points from a year earlier to 33.4% as a result of effective cost control initiatives. Loss attributable to shareholders, including disposal gain, narrowed significantly by 85% to HK\$85 million.

#### **E-Commerce: Expanding rural e-commerce footprints delivered strong KPIs**

During the reporting period, Ule focused on expanding its rural e-commerce footprints. Full year gross merchandise value jumped 354% year-on-year to RMB6.497 billion, exceeding 2013 full year GMV of RMB1.432 billion. In 2014, Ule has launched various marketing campaigns to attract buyers and drive sales. The "Ule Overseas Zone", a

dedicated channel with a wide range of imported products from selected overseas markets, launched “Korean Zone” and “Russian Zone” to further diversify its product and service offerings. By the end of last year, repeated buyers accounted for 50% of total buyers, which reflected their strong loyalty to Ule. Orders placed on mobile phone accounted for 30% of the total orders in the second half last year, up from 10% in the first half.

The Chinese government’s efforts in modernising and digitising rural villages facilitate the emerging growth of rural e-commerce in China. Riding on the extensive network of China Post, Ule has been able to offer an array of services to rural villagers including concierge services, agricultural product procurement and bill payment services. As at the end of 2014, the Ule rural e-commerce platform has covered more than 40,000 rural outlets, serving and improving the quality of life of rural residents in 21 provinces across the nation.

Targeting China’s massive rural consumption market, WeLab, an internet and technology based consumer financing company, has been working closely together with Ule for the launch of financing and loan products in 2015, further diversifying Ule’s service offerings for the rural population.

Earlier this year, Rubikloud, a retail intelligence firm, implemented its unique real-time transaction data analysis on Ule’s Omni-channel platforms, riding on its big data analytics technology on the cloud. As a result, Ule can deepen its understanding of consumers’ behaviour and offering customised service, as well as providing targeted marketing solutions for merchants.

In 2015, the Group will continue to invest in high growth and high technology businesses. Ule will also deepen the cooperation with strategic partners to drive sales, cementing a market leading position in rural e-commerce market.

### **Mobile Internet: Enhanced operating efficiency with focused strategy**

During the reporting period, Mobile Internet Group has been operating under a streamlined structure with focus on incubating mobile game business. The Group will continue to monitor its business performance with enhanced operating efficiency and improved resources utilisation.

### **Publishing: Maintained market leadership with stable performance**

The Publishing Group reported stable performance in the reporting period and maintained its market leader position. Revenue reached HK\$959 million with segment profit of HK\$61 million.

### **Outdoor Media: Continued improvement in operations**

The Outdoor Media Group reported an improved performance with revenues amounted to HK\$230 million. Segment loss narrowed by 15%.

## **Television and Entertainment: Focused on operating efficiency**

Television and Entertainment Group reported revenues of HK\$230 million. Key performing indices were maintained with emphasis on operating efficiency and efficient use of resources.

## **FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2014**

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

### **Consolidated Revenue**

The Group's consolidated revenue for the year ended 31 December 2014 amounted to HK\$1,511 million, a 22% decrease from last year, following the exit from 2.5G WVAS business in Mainland China and business consolidation of Outdoor Media Group in 2013.

### **Segmental Results**

The segmental profit/loss refer to profit/loss before finance costs and taxation, and material non-cash items including share of results of investments accounted for using the equity method.

The Group continued to focus on its investment in the fast-growing e-Commerce business in Mainland China through its Ule associates, which results were equity accounted for by the Group.

The Mobile Internet Group reported gross revenues of HK\$89 million. Segment loss narrowed to HK\$17 million, as a result of streamlined and focused operations.

The Publishing Group delivered stable revenues with cautious investment in digital publishing. Gross revenues and segment profit was HK\$959 million and HK\$61 million respectively.

The Outdoor Media Group reported gross revenues of HK\$230 million. Segment loss narrowed to HK\$22 million, as a result of business consolidation and improved operating efficiency.

The Television and Entertainment Group reported stable gross revenues of HK\$230 million. Segment loss narrowed to HK\$36 million, due to improved operating efficiency.

### **Share of Results of Investments Accounted for Using the Equity Method**

The share of results of investments accounted for using the equity method largely represented the Group's share of results of Ule under the E-Commerce Group.

## **Operating Loss**

The Group's operating loss for the year amounted to HK\$5 million, compared to last year's HK\$419 million. Excluding the gain on disposal of interests in investments accounted for using the equity method totalling HK\$188 million (2013: 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 and loss on deconsolidation of a subsidiary of HK\$15 million), the operating loss from recurring operation was HK\$194 million, a 7% decrease from HK\$207 million in 2013.

The gain on disposal of interests in investments accounted for using the equity method totalling HK\$188 million arose from the dilution of shareholdings in certain former joint ventures and certain associated companies of the E-Commerce Group, following completion of the investors' subscriptions of new shares of these companies in 2014. The dilution gains were recorded in the consolidated income statement for the year. Net gains attributable to the equity holders of the Company amounted to HK\$169 million.

## **Loss Attributable to Equity Holders of the Company**

The Group's loss attributable to equity holders of the Company was HK\$85 million, a decrease of 85% from HK\$550 million in 2013.

## **Liquidity and Financial Resources**

As at 31 December 2014, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$536 million.

In December 2014, a subsidiary of the Group in Taiwan entered into facility agreements with several independent financial institutions for providing an aggregate principal amount of NT\$500 million (approximately HK\$123 million) term 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\$3,441 million financing facilities were available, of which HK\$2,471 million had been utilised as at 31 December 2014, to finance the Group's investment, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,471 million as at 31 December 2014. This included long-term bank loans of approximately HK\$2,343 million and short-term bank loans of approximately HK\$128 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 82% as at 31 December 2014, compared to 79% as at 31 December 2013.

As at 31 December 2014, the Group had net current assets of approximately HK\$418 million, compared to balance of approximately HK\$366 million as at 31 December 2013. As at 31 December 2014, the current ratio (Current assets/Current liabilities) of TOM Group was 1.45, compared to 1.30 at 31 December 2013.

In 2014, net cash used in operating activities after interest and taxation paid amounted to HK\$110 million. Net cash outflow used in investing activities was HK\$168 million, mainly included capital expenditures of HK\$142 million and investment in an available-for-sale financial asset of HK\$31 million. During the year, net cash inflow from financing activities amounted to HK\$140 million, mainly included drawdown of bank loans, net of repayment, of HK\$168 million, partially offset by payment of loan arrangement fee of HK\$22 million and dividends paid to non-controlling interests of subsidiaries of HK\$5 million.

### **Charges on Group Assets**

As at 31 December 2014, 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.

### **Subsequent Events**

In January 2015, the Group, through its non-wholly owned subsidiary, completed a share subscription of US\$2 million in Rubikloud Technologies Inc., a Canadian based company specialising in retail intelligence for an approximately 7% equity interests on a fully diluted basis.

Except for the above, there is no subsequent event 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 2014, TOM Group had approximately 1,980 full-time employees. Employee costs, excluding Directors' emoluments, totalled HK\$481 million for the year. 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.

**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 investments accounted for using the equity method, 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 2014**

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	2	<u>1,511,033</u>	<u>1,927,731</u>
Cost of sales	6	(1,006,976)	(1,343,111)
Selling and marketing expenses	6	(225,516)	(268,526)
Administrative expenses	6	(154,185)	(175,910)
Other operating expenses	6	(230,512)	(345,754)
Other gains, net	6	2,643	18,897
Gain on disposal of interests in investments accounted for using the equity method	3	188,198	-
Gain on disposal of interests in subsidiaries	4	-	1,521,679
Provision for impairment of goodwill and other assets	5	-	(1,718,952)
Loss on deconsolidation of a subsidiary		-	(14,884)
Share of profits less losses of investments accounted for using the equity method		<u>(90,038)</u>	<u>(20,453)</u>
		(5,353)	(419,283)
Finance income	7	9,120	13,102
Finance costs	7	<u>(72,499)</u>	<u>(66,482)</u>
Finance costs, net	7	<u>(63,379)</u>	<u>(53,380)</u>
Loss before taxation		(68,732)	(472,663)
Taxation	8	<u>(8,733)</u>	<u>(79,545)</u>
Loss for the year		<u>(77,465)</u>	<u>(552,208)</u>
Attributable to:			
Non-controlling interests		<u>7,414</u>	<u>(2,135)</u>
Equity holders of the Company		<u>(84,879)</u>	<u>(550,073)</u>
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	10	<u>HK (2.18) cents</u>	<u>HK (14.13) cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 HK\$'000	2013 HK\$'000
<b>Loss for the year</b>	(77,465)	(552,208)
<b>Item that will not be reclassified subsequently to income statement:</b>		
Remeasurement of defined benefit plans	<u>1,938</u>	<u>3,112</u>
<b>Items that may be subsequently reclassified to income statement:</b>		
Revaluation surplus on available-for-sale financial assets	3,005	3,903
Exchange translation differences	<u>(20,699)</u>	<u>63,464</u>
	<u>(17,694)</u>	<u>67,367</u>
<b>Other comprehensive (expense)/income for the year, net of tax</b>	<u>(15,756)</u>	<u>70,479</u>
<b>Total comprehensive expense for the year</b>	<u>(93,221)</u>	<u>(481,729)</u>
<b>Total comprehensive (expense)/income for the year attributable to:</b>		
- Non-controlling interests	<u>(2,395)</u>	<u>1,187</u>
- Equity holders of the Company	<u>(90,826)</u>	<u>(482,916)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets		122,337	142,315
Goodwill		644,778	646,914
Other intangible assets		81,129	88,023
Investments accounted for using the equity method		1,520,101	1,435,970
Available-for-sale financial assets		58,149	24,137
Advance to an investee company		2,183	2,180
Deferred tax assets		35,811	34,421
Other non-current assets		8,246	6,725
		<u>2,472,734</u>	<u>2,380,685</u>
<b>Current assets</b>			
Inventories		110,456	114,096
Trade and other receivables	11	689,638	793,169
Restricted cash		3,680	3,105
Cash and cash equivalents		535,505	695,179
		<u>1,339,279</u>	<u>1,605,549</u>
<b>Current liabilities</b>			
Trade and other payables	12	731,338	945,806
Taxation payable		35,446	48,836
Long-term bank loans - current portion		26,219	73,901
Short-term bank loans		127,816	171,138
		<u>920,819</u>	<u>1,239,681</u>
<b>Net current assets</b>		<u>418,460</u>	<u>365,868</u>
<b>Total assets less current liabilities</b>		<u>2,891,194</u>	<u>2,746,553</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		8,602	6,398
Non-current portion of long-term bank loans		2,316,681	2,075,718
Pension obligations		34,910	37,120
		<u>2,360,193</u>	<u>2,119,236</u>
<b>Net assets</b>		<u>531,001</u>	<u>627,317</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		389,328	389,328
Deficits		(157,618)	(66,792)
Own shares held		(6,244)	(6,244)
		<u>225,466</u>	<u>316,292</u>
Non-controlling interests		305,535	311,025
<b>Total equity</b>		<u>531,001</u>	<u>627,317</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	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 2014	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
<b>Comprehensive income:</b>												
Loss for the year	-	-	-	-	-	-	-	-	(84,879)	(84,879)	7,414	(77,465)
<b>Other comprehensive income:</b>												
Revaluation surplus on available-for-sale financial assets	-	-	-	-	-	-	3,005	-	-	3,005	-	3,005
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	1,776	1,776	162	1,938
Exchange translation differences	-	-	-	-	-	-	-	(10,728)	-	(10,728)	(9,971)	(20,699)
Total comprehensive income/(expense) for the year ended 31 December 2014	-	-	-	-	-	-	3,005	(10,728)	(83,103)	(90,826)	(2,395)	(93,221)
<b>Transactions with equity holders:</b>												
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,992)	(4,992)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,897	1,897
Transfer to general reserve	-	-	-	-	-	1,881	-	-	(1,881)	-	-	-
Transactions with equity holders	-	-	-	-	-	1,881	-	-	(1,881)	-	(3,095)	(3,095)
Balance at 31 December 2014	389,328	(6,244)	3,625,981	(11,186)	776	152,423	11,017	780,237	(4,716,866)	225,466	305,535	531,001

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	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
<b>Comprehensive income:</b>												
Loss for the year	-	-	-	-	-	-	-	-	(550,073)	(550,073)	(2,135)	(552,208)
<b>Other comprehensive income:</b>												
Revaluation surplus on available-for-sale financial assets	-	-	-	-	-	-	3,903	-	-	3,903	-	3,903
Remeasurement of 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)
<b>Transactions with equity holders:</b>												
Dividends 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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 all the amendments to standards and new interpretation issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2014.

The adoption of these amendments to standards and new interpretation does not have a material impact on the Group's accounting policies.

### **2 Turnover, revenue and segment information**

The Group has five reportable operating segments:

- E-Commerce Group - provision of services to users using the mobile and Internet-based marketplace and provision of technical services for online trading platform.
- Mobile Internet Group - provision of mobile Internet services, online advertising and commercial enterprise solutions.
- 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 2014 are as follows:

	Year ended 31 December 2014					
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Gross segment revenue	3,366	89,264	958,802	229,712	230,308	1,511,452
Inter-segment revenue	-	-	-	-	(419)	(419)
Net revenue from external customers	3,366	89,264	958,802	229,712	229,889	1,511,033
Segment profit/(loss) before amortisation and depreciation	(6,889)	(8,483)	177,990	10	(25,279)	137,349
Amortisation and depreciation	(95)	(8,231)	(117,090)	(22,202)	(10,544)	(158,162)
Segment profit/(loss)	(6,984)	(16,714)	60,900	(22,192)	(35,823)	(20,813)
Other material non-cash items:						
Gain on disposal of interests in investments accounted for using the equity method	188,198	-	-	-	-	188,198
Share of profits less losses of investments accounted for using the equity method	(71,983)	(215)	(17,840)	-	-	(90,038)
	116,215	(215)	(17,840)	-	-	98,160
Finance costs:						
Finance income (note a)	66	6,974	17,589	1,136	67	25,832
Finance expenses (note a)	-	-	(10,945)	-	(13,732)	(24,677)
	66	6,974	6,644	1,136	(13,665)	1,155
Segment profit/(loss) before taxation	109,297	(9,955)	49,704	(21,056)	(49,488)	78,502
Unallocated corporate expenses						(147,234)
Loss before taxation						(68,732)
Expenditure for operating segment non-current assets	-	2,534	108,860	22,709	7,722	141,825
Unallocated expenditure for non-current assets						14
Total expenditure for non-current assets						141,839

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK\$17,030,000 and HK\$14,555,000 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 2014 are as follows:

	As at 31 December 2014					
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	111,047	500,183	1,185,292	299,588	142,409	2,238,519
Investments accounted for using the equity method	1,496,192	4,346	19,563	-	-	1,520,101
Unallocated assets						53,393
Total assets						3,812,013
Segment liabilities	29,866	105,731	362,483	104,643	42,616	645,339
Unallocated liabilities:						120,909
Corporate liabilities						35,446
Current taxation						8,602
Deferred taxation						2,470,716
Borrowings						3,281,012
Total liabilities						3,281,012



## 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					
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Gross segment revenue	27,030	287,546	1,030,041	365,981	217,804	1,928,402
Inter-segment revenue	-	-	-	-	(671)	(671)
Net revenue from external customers	27,030	287,546	1,030,041	365,981	217,133	1,927,731
Segment profit/(loss) before amortisation and depreciation	(52,417)	(68,654)	210,917	8,194	(23,923)	74,117
Amortisation and depreciation	(5,699)	(23,635)	(117,751)	(34,154)	(12,732)	(193,971)
Segment profit/(loss)	(58,116)	(92,289)	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	(3,745)	(252)	(16,456)	-	-	(20,453)
	1,517,934	(1,297,455)	(186,385)	(231,169)	(35,535)	(232,610)
Finance costs:						
Finance income (note a)	71	10,316	21,941	1,109	72	33,509
Finance expenses (note a)	-	-	(12,484)	-	(23,523)	(36,007)
	71	10,316	9,457	1,109	(23,451)	(2,498)
Segment profit/(loss) before taxation	1,459,889	(1,379,428)	(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	1,321	3,611	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					
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	115,280	649,427	1,265,206	322,273	143,766	2,495,952
Investments accounted for using the equity method	1,390,709	4,623	40,638	-	-	1,435,970
Unallocated assets						54,312
Total assets						3,986,234
Segment liabilities	51,123	242,223	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

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 investments accounted for using the equity method

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 former 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 recognised a dilution gain of HK\$174,995,000 in the consolidated income statement for the year on this disposal. Net gain attributable to equity holders of the Company amounted to HK\$157,499,000.

On 24 November 2014, an associated company of a non-wholly owned subsidiary of the Group agreed to allot and issue and investors agreed to subscribe for certain Series A Preferred Shares representing 1.19% of the total share capital of an associated company on a fully diluted basis at the aggregate investors' subscription price of US\$10 million. Following completion of the investors' subscription, the shareholding of the associated company held by the non-wholly owned subsidiary of the Group decreased from 42.51% to 42.00% on a fully diluted basis. The Group recognised a dilution gain of HK\$13,203,000 in the consolidated income statement for the year on this disposal. Net gain attributable to equity holders of the Company amounted to HK\$11,883,000.

## 4 Gain on disposal of interests in subsidiaries

Following the disposal of controlling interests in certain subsidiaries of E-Commerce Group in 2013, 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 2013. Net gain attributable to the equity holders of the Company amounted to HK\$1,368,542,000.

## 5 Provision for impairment of goodwill and other assets

No provision for impairment of goodwill and other assets was made during the year. In 2013, provision for impairment of goodwill totalling HK\$1,549,023,000 was made to Mobile Internet Group of HK\$1,297,203,000, Outdoor Media Group of HK\$216,285,000 and Television and Entertainment Group of HK\$35,535,000 respectively and provision for impairment of HK\$169,929,000 was made to the carrying value of the associated company. Net provision attributable to equity holders of the Company was HK\$1,590,441,000.

## 6 Operating loss

Operating loss is stated after charging/crediting the following:

	2014 HK\$'000	2013 HK\$'000
<u>Charging:</u>		
Depreciation	52,545	79,120
Amortisation of other intangible assets	106,266	115,485
Loss on disposal of fixed assets	551	19
Loss on disposal of other intangible assets	848	-
	<u>          </u>	<u>          </u>
<u>Crediting:</u>		
Dividend income from available-for-sale financial assets	967	950
Exchange gain, net	3,075	17,966
	<u>          </u>	<u>          </u>

## 7 Finance costs, net

	2014 HK\$'000	2013 HK\$'000
Interest and borrowing costs on bank loans	70,602	64,590
Interest on other loans	1,897	1,892
	<u>          </u>	<u>          </u>
	72,499	66,482
	<u>          </u>	<u>          </u>
Less: Bank interest income	(9,120)	(13,102)
	<u>          </u>	<u>          </u>
	<u>63,379</u>	<u>53,380</u>

## 8 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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:

	2014 HK\$'000	2013 HK\$'000
Overseas taxation	17,961	35,310
(Over)/under-provision in prior years	(8,548)	32,235
Deferred taxation	(680)	12,000
	<u>          </u>	<u>          </u>
Taxation charge	<u>8,733</u>	<u>79,545</u>

## 9 Dividends

No dividends had been paid or declared by the Company during the year (2013: 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\$84,879,000 (2013: HK\$550,073,000) and the weighted average of 3,893,270,558 (2013: 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 2014 as no share options was granted by the Company during the year and there was no outstanding share options as at the end of the reporting period (2013: All the outstanding share options granted by the Company were lapsed such that the diluted loss per share is equal to the basic loss per share for the year ended 31 December 2013).

## 11 Trade and other receivables

	Group	
	2014	2013
	HK\$'000	HK\$'000
Trade receivables	340,702	397,111
Prepayments, deposits and other receivables	348,936	396,058
	<u>689,638</u>	<u>793,169</u>

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 150 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 2014 and 2013, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Current	99,419	94,622
31-60 days	78,188	114,330
61-90 days	64,121	64,569
Over 90 days	199,341	217,843
	<u>441,069</u>	<u>491,364</u>
Less: Provision for impairment	(100,367)	(94,253)
	<u>340,702</u>	<u>397,111</u>

## 12 Trade and other payables

	Group	
	2014	2013
	HK\$'000	HK\$'000
Trade payables	151,853	280,640
Other payables and accruals	579,485	665,166
	<u>731,338</u>	<u>945,806</u>

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

As at 31 December 2014 and 2013, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Current	46,268	60,700
31-60 days	22,660	28,045
61-90 days	11,538	15,521
Over 90 days	71,387	176,374
	<u>151,853</u>	<u>280,640</u>

## REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the financial statements of the Group for the year ended 31 December 2014. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 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 2014, 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 14 May 2014 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:*  
*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)*