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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)

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

**CHAIRMAN'S STATEMENT**

I am pleased to announce the results of TOM Group Limited ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the six months ended 30 June 2014.

For the six months to 30 June 2014, the Group reported HK\$727 million revenues and operating loss of HK\$106 million. Profit attributable to shareholders, including disposal gain, was HK\$29 million.

During the reporting period, the Group continued to invest in our fast growing e-commerce joint venture with China Post, Ule. In January 2014, subscription by investors in Ule was completed and the Group recognised a disposal gain attributable to shareholders of HK\$157 million. With the support from new investors and various new initiatives developed by the operation team, Ule achieved an encouraging 354% year-on-year growth in its gross merchandise value (GMV), and in only the first six months of this year recorded GMV of RMB2,311 million, exceeding last year's full year GMV of RMB1,432 million.

The Mobile Internet Group reported revenues of HK\$47 million, down from HK\$207 million a year earlier, as a result of the exit from the 2.5G wireless value-added services market at the end of 2013. The Group will continue to implement cost control measures to rationalise the operations and to develop new products and services to offer our users.

During the review period, TOM Group invested in WeLab Holdings Limited ("WeLab"), a Hong Kong based internet and technology based consumer finance company. The Group will work closely with WeLab to launch its credit scoring and fraud control technology and services throughout Greater China region and Asia.

The Publishing Group maintained a stable performance during the reporting period, recording segment revenues and profit of HK\$455 million and HK\$24 million respectively.

\* For reference only

The Outdoor Media Group reported stable revenues of HK\$116 million from its continuing operations, whilst the Television and Entertainment Group maintained its revenues at HK\$108 million in the reporting period.

Going forward, TOM Group will maintain financial and operating disciplines while expanding the Group's core businesses.

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, 30 July 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2014	30 June 2013
	HK\$'000	HK\$'000
Revenue	<b>726,679</b>	975,106
Operating loss <sup>#</sup> before disposal gain	<b>(105,556)</b>	(85,823)
Gain on disposal of interests in joint ventures	<b>174,995</b>	-
Profit/(loss) attributable to equity holders of the Company	<b>29,458</b>	(113,465)
Earnings/(loss) per share (HK cents)	<b>0.76</b>	(2.91)

<sup>#</sup> Including share of results of investments accounted for using the equity method

### Business Review

During the reporting period, the Group focused on driving the growth of Ule, the e-commerce joint-venture with China Post and has embarked an exponential growth via its unique offline-to-online/ mobile platform. This has been the growth engine for the Group and Ule will unveil more new product and service offerings to tap the huge business opportunities in the fast growing China e-commerce market. During the reporting period, the Group recorded a disposal gain attributable to shareholders of HK\$157 million due to the new investors' subscription of Ule's shares, which helps speed up Ule's business development. The Group's profit attributable to shareholders amounted to HK\$29 million. Operating expenses reduced by 16% on a year-on-year basis with enhanced operating efficiency. Gross profit margin increased from 28% the same period last year to 33%.

#### E-Commerce

The Ule joint venture has been performing well during the reporting period. For the first six months this year, Ule achieved an encouraging 354% year-on-year growth in its gross merchandise value (GMV) and in only the first six months of this year recorded GMV of RMB2,311 million, exceeding last year's full year GMV of RMB1,432 million. Repeated buyers accounted for 45% of the total buyers in the second quarter this year, demonstrating strong users' loyalty. Orders placed through mobile phone accounted for 10% of the total number of transactions, demonstrating the fast development of mobile commerce.

Leveraging on China Post's extensive outlets in the rural villages, Ule has kicked off its rural e-commerce initiative to drive sales, with its unique online, offline and mobile channels, and capture the huge business opportunities in the rural market. A province has been selected for the pilot scheme, and more provinces will join later this year to engage more rural store owners and villagers to shop and trade via the Ule platform at these outlets. These outlets can also offer various services, enhancing the quality of life among the villagers.

The rural e-commerce service is helping more than tens of thousands China Post's franchised stores in the rural villages to bring their business operations online. Data generated from the rural e-commerce system will be analysed with advanced big data technology to deepen Ule's understanding on the demand for rural e-commerce. Ule then can offer more new services to assist merchants to tap the rural market.

Moreover, Ule's "Anhui online agriculture transaction platform" has made its debut in the reporting period. The platform was supported by Anhui provincial government and key enterprises in the province to boost the growth of the agricultural sector.

#### Mobile Internet

The Mobile Internet Group has been incubating series of new businesses including music and game services. The Group has implemented a streamlined and focused operation and will explore new business models and leverage on popular distribution channels to bring in popular mobile games and services from developers in China and overseas.

#### Publishing

The Publishing Group maintained stable performance during the reporting period, with revenue reached HK\$455 million and segment profit amounted to HK\$24 million.

#### Outdoor Media

The Outdoor Media Group's revenue amounted to HK\$116 million, while segment loss reduced by 34% as a result of cost control initiatives and benefit from the high value LED assets.

#### Television and Entertainment

Television and Entertainment Group saw its revenue maintained at HK\$108 million in the reporting period with a segment loss narrowed on efficient use of resources.

The Group is making good progress in rationalising its business operations in Mobile Internet, Publishing, Outdoor Media and Television and Entertainment respectively. During the reporting period, the Group has invested in WeLab, a Hong Kong based internet finance company. The Group will work closely with WeLab to launch its internet and technology based consumer finance platform throughout Mainland China, Greater China region and Asia.

### **Liquidity and Financial Resources**

As at 30 June 2014, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$620 million. A total of HK\$3,468 million financing facilities were available, of which HK\$2,468 million had been utilised as at 30 June 2014, to finance the Group's investment, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,468 million as at 30 June 2014. These included long-term bank loans of approximately HK\$2,289 million and short-term bank loans of approximately HK\$179 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 79% as at 30 June 2014, same level as 31 December 2013.

As at 30 June 2014, the Group had net current assets of approximately HK\$374 million, compared to balance of approximately HK\$366 million as at 31 December 2013. As at 30 June 2014, the current ratio (Current assets/Current liabilities) of TOM Group was 1.32, compared to 1.30 as at 31 December 2013.

For the first six months of 2014, net cash used in operating activities amounted to HK\$91 million, compared to HK\$17 million in the same period of 2013. Net cash outflow used in investing activities was HK\$96 million, mainly included an investment of HK\$31 million and capital expenditures of HK\$68 million.

## **Charges on Group Assets**

As at 30 June 2014, the Group had restricted cash amounting to HK\$4 million, being bank deposits pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

## **Foreign Exchange Exposure**

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

## **Contingent Liabilities**

As at 30 June 2014, TOM Group had no significant contingent liabilities.

## **Employee Information**

As at 30 June 2014, TOM Group had approximately 2,060 full-time employees. For the first six months of the year, employee costs, including Directors' emoluments, totalled HK\$251 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2013.

### **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 joint ventures, 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.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

		Unaudited	
		Six months ended 30 June	
	Note	2014	2013
		HK\$'000	HK\$'000
Revenue	2	726,679	975,106
Cost of sales	5	(489,983)	(701,850)
Selling and marketing expenses	5	(108,594)	(125,021)
Administrative expenses	5	(79,894)	(86,956)
Other operating expenses	5	(120,760)	(157,937)
Other gains, net	5	1,610	13,368
Gain on disposal of interests in joint ventures	3	174,995	-
Share of profits less losses of investments accounted for using the equity method	4	(34,614)	(2,533)
		69,439	(85,823)
Finance income	6	4,939	6,878
Finance costs	6	(34,830)	(32,711)
Finance costs, net	6	(29,891)	(25,833)
Profit/(loss) before taxation		39,548	(111,656)
Taxation	7	927	(8,973)
Profit/(loss) for the period		40,475	(120,629)
Attributable to:			
- Non-controlling interests		11,017	(7,164)
- Equity holders of the Company		29,458	(113,465)
Earnings/(loss) per share attributable to equity holders of the Company during the period			
Basic and diluted	9	HK0.76 cents	HK(2.91) cents

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>Profit/(loss) for the period</b>	40,475	(120,629)
<b>Items that may be subsequently reclassified to income statement:</b>		
Revaluation surplus on available-for-sale financial assets	2,899	111
Exchange translation differences	(26,199)	34,489
	<u>          </u>	<u>          </u>
<b>Other comprehensive (expense)/income for the period, net of tax</b>	(23,300)	34,600
	<u>          </u>	<u>          </u>
<b>Total comprehensive income/(expense) for the period</b>	<u>17,175</u>	<u>(86,029)</u>
<b>Total comprehensive income/(expense) for the period attributable to:</b>		
- Non-controlling interests	<u>7,349</u>	<u>(8,026)</u>
- Equity holders of the Company	<u>9,826</u>	<u>(78,003)</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014**

	Note	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets		126,525	142,315
Goodwill		644,623	646,914
Other intangible assets		89,970	88,023
Investments accounted for using the equity method	4	1,561,999	1,435,970
Available-for-sale financial assets		58,160	24,137
Advance to an investee company		2,180	2,180
Deferred tax assets		34,706	34,421
Other non-current assets		11,340	6,725
		<u>2,529,503</u>	<u>2,380,685</u>
<b>Current assets</b>			
Inventories		113,810	114,096
Trade and other receivables	10	791,833	793,169
Restricted cash		4,025	3,105
Cash and cash equivalents		619,677	695,179
		<u>1,529,345</u>	<u>1,605,549</u>
<b>Current liabilities</b>			
Trade and other payables	11	865,792	945,806
Taxation payable		37,290	48,836
Long-term bank loans - current portion		73,701	73,901
Short-term bank loans		178,434	171,138
		<u>1,155,217</u>	<u>1,239,681</u>
<b>Net current assets</b>		<u>374,128</u>	<u>365,868</u>
<b>Total assets less current liabilities</b>		<u>2,903,631</u>	<u>2,746,553</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,517	6,398
Non-current portion of long-term bank loans		2,215,617	2,075,718
Pension obligations		37,435	37,120
		<u>2,260,569</u>	<u>2,119,236</u>
<b>Net assets</b>		<u>643,062</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		(56,966)	(66,792)
Own shares held		(6,244)	(6,244)
		<u>326,118</u>	<u>316,292</u>
Non-controlling interests		316,944	311,025
<b>Total equity</b>		<u>643,062</u>	<u>627,317</u>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Own shares held	Share premium	Capital reserve	Capital redemption reserve	General reserve	Available-for-sale financial assets reserve	Exchange reserve	Accumulated losses	Total shareholders' funds	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>												
Profit for the period	-	-	-	-	-	-	-	-	29,458	29,458	11,017	40,475
<b>Other comprehensive income:</b>												
Revaluation surplus on available-for-sale financial assets	-	-	-	-	-	-	2,899	-	-	2,899	-	2,899
Exchange translation differences	-	-	-	-	-	-	-	(22,531)	-	(22,531)	(3,668)	(26,199)
Total comprehensive income/(expense) for the period ended 30 June 2014	-	-	-	-	-	-	2,899	(22,531)	29,458	9,826	7,349	17,175
<b>Transactions with equity holders:</b>												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,368)	(2,368)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	938	938
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	(1,430)	(1,430)
Balance at 30 June 2014	389,328	(6,244)	3,625,981	(11,186)	776	150,542	10,911	768,434	(4,602,424)	326,118	316,944	643,062

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Own shares held	Share premium	Capital reserve	Capital redemption reserve	General reserve	Available-for-sale financial assets reserve	Exchange reserve	Accumulated losses	Total shareholders' funds	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 period	-	-	-	-	-	-	-	-	(113,465)	(113,465)	(7,164)	(120,629)
<b>Other comprehensive income:</b>												
Revaluation surplus on available-for-sale financial assets	-	-	-	-	-	-	111	-	-	111	-	111
Exchange translation differences	-	-	-	-	-	-	-	35,351	-	35,351	(862)	34,489
Total comprehensive income/(expense) for the period ended 30 June 2013	-	-	-	-	-	-	111	35,351	(113,465)	(78,003)	(8,026)	(86,029)
<b>Transactions with equity holders:</b>												
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	938	938
Transfer to general reserve	-	-	-	-	-	1,183	-	-	(1,183)	-	-	-
Transactions with equity holders	-	-	-	-	-	1,183	-	-	(1,183)	-	938	938
Balance at 30 June 2013	389,328	(6,244)	3,625,981	28,021	776	145,647	4,220	766,415	(4,232,415)	721,729	314,815	1,036,544

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 Basis of preparation and accounting policies

This financial information is extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in 2013 annual financial statements, except for the adoption of amendments to standards and new interpretation which are relevant to the operations of the Group 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:

- Mobile Internet Group - provision of mobile Internet services, online advertising, commercial enterprise solutions and online communication services.
- E-Commerce Group - provision of services to users using the mobile and Internet-based marketplace and provision of technical services for online trading platform.
- 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, provision 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 six months ended 30 June 2014 are as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 2014					
	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	
Gross segment revenue	46,799	1,870	454,960	115,810	107,579	727,018
Inter-segment revenue	-	-	-	-	(339)	(339)
Net revenue from external customers	<u>46,799</u>	<u>1,870</u>	<u>454,960</u>	<u>115,810</u>	<u>107,240</u>	<u>726,679</u>
Segment profit/(loss) before amortisation and depreciation	(31,685)	(3,768)	79,524	3,437	(10,909)	36,599
Amortisation and depreciation	(4,884)	(57)	(55,683)	(10,298)	(5,696)	(76,618)
Segment profit/(loss)	<u>(36,569)</u>	<u>(3,825)</u>	<u>23,841</u>	<u>(6,861)</u>	<u>(16,605)</u>	<u>(40,019)</u>
Other material non-cash items:						
Gain on disposal of interests in joint ventures	-	174,995	-	-	-	174,995
Share of profits less losses of investments accounted for using the equity method	(140)	(19,203)	(15,271)	-	-	(34,614)
	<u>(140)</u>	<u>155,792</u>	<u>(15,271)</u>	<u>-</u>	<u>-</u>	<u>140,381</u>
Finance costs:						
Finance income (note a)	3,705	44	9,565	561	37	13,912
Finance expenses (note a)	-	-	(5,147)	-	(9,353)	(14,500)
	<u>3,705</u>	<u>44</u>	<u>4,418</u>	<u>561</u>	<u>(9,316)</u>	<u>(588)</u>
Segment profit/(loss) before taxation	<u>(33,004)</u>	<u>152,011</u>	<u>12,988</u>	<u>(6,300)</u>	<u>(25,921)</u>	<u>99,774</u>
Unallocated corporate expenses						(60,226)
Profit before taxation						<u>39,548</u>
Expenditure for operating segment non-current assets	785	-	55,049	6,733	5,154	67,721
Unallocated expenditure for non-current assets						5
Total expenditure for non-current assets						<u>67,726</u>

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$9,261,000 and HK\$9,883,000 were included in the finance income and finance expenses respectively.

## 2 Turnover, revenue and segment information (Continued)

The segment results for the six months ended 30 June 2013 are as follows:

	Unaudited					Total HK\$'000
	Six months ended 30 June 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	
Gross segment revenue	207,278	2,592	485,047	178,172	102,364	975,453
Inter-segment revenue	-	-	-	-	(347)	(347)
Net revenue from external customers	<u>207,278</u>	<u>2,592</u>	<u>485,047</u>	<u>178,172</u>	<u>102,017</u>	<u>975,106</u>
Segment profit/(loss) before amortisation and depreciation	(12,450)	(34,195)	89,987	8,278	(10,549)	41,071
Amortisation and depreciation	(6,475)	(2,777)	(55,201)	(18,600)	(7,761)	(90,814)
Segment profit/(loss)	<u>(18,925)</u>	<u>(36,972)</u>	<u>34,786</u>	<u>(10,322)</u>	<u>(18,310)</u>	<u>(49,743)</u>
Other material non-cash items:						
Share of profits less losses of investments accounted for using the equity method	283	5,591	(8,407)	-	-	(2,533)
	<u>283</u>	<u>5,591</u>	<u>(8,407)</u>	<u>-</u>	<u>-</u>	<u>(2,533)</u>
Finance costs:						
Finance income (note a)	5,392	36	11,045	496	52	17,021
Finance expenses (note a)	-	-	(6,050)	-	(11,528)	(17,578)
	<u>5,392</u>	<u>36</u>	<u>4,995</u>	<u>496</u>	<u>(11,476)</u>	<u>(557)</u>
Segment profit/(loss) before taxation	<u>(13,250)</u>	<u>(31,345)</u>	<u>31,374</u>	<u>(9,826)</u>	<u>(29,786)</u>	<u>(52,833)</u>
Unallocated corporate expenses						(58,823)
Loss before taxation						<u>(111,656)</u>
Expenditure for operating segment non-current assets	2,816	269	59,109	6,417	9,407	78,018
Unallocated expenditure for non-current assets						505
Total expenditure for non-current assets						<u>78,523</u>

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,658,000 and HK\$12,123,000 were included in the finance income and finance expenses respectively.

## 2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 30 June 2014 are as follows:

	Unaudited					Total HK\$'000
	As at 30 June 2014					
	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	
Segment assets	595,261	129,918	1,213,275	312,308	160,675	2,411,437
Investments accounted for using the equity method	4,404	1,535,436	22,159	-	-	1,561,999
Unallocated assets						85,412
<b>Total assets</b>						<b>4,058,848</b>
Segment liabilities	222,881	39,469	360,101	103,209	53,990	779,650
Unallocated liabilities:						
Corporate liabilities						123,577
Current taxation						37,290
Deferred taxation						7,517
Borrowings						2,467,752
<b>Total liabilities</b>						<b>3,415,786</b>

The segment assets and liabilities at 31 December 2013 are as follows:

	Audited					Total HK\$'000
	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	
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
<b>Total assets</b>						<b>3,986,234</b>
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
<b>Total liabilities</b>						<b>3,358,917</b>

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 joint ventures

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 period on this disposal. Net gain attributable to equity holders of the Company amounted to HK\$157,499,000.

### 4 Investments accounted for using the equity method

The amounts recognised in the statement of financial position are as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Associated companies	1,561,999	45,261
Joint ventures	-	1,390,709
	<u>1,561,999</u>	<u>1,435,970</u>

The amounts recognised in the income statement are as follows:

	Unaudited Six months ended 30 June 2014 HK\$'000	2013 HK\$'000
Associated companies	(30,507)	(8,124)
Joint ventures	(4,107)	5,591
	<u>(34,614)</u>	<u>(2,533)</u>

## 5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/crediting the following:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Charging:		
Depreciation of fixed assets	27,209	34,151
Amortisation of other intangible assets	49,772	56,974
Amortisation of other intangible assets included in interests in associated companies	-	1,356
Loss on disposal of fixed assets	-	49
	<u>          </u>	<u>          </u>
Crediting:		
Exchange gain, net	1,127	13,085
Dividend income from available-for-sale financial assets	314	332
Gain on disposal of fixed assets	169	-
	<u>          </u>	<u>          </u>

## 6 Finance costs, net

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	33,892	31,773
Interest on other loans	938	938
	<u>          </u>	<u>          </u>
	34,830	32,711
Less: Bank interest income	(4,939)	(6,878)
	<u>          </u>	<u>          </u>
	<u>29,891</u>	<u>25,833</u>



## 7 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Overseas taxation	7,078	10,569
Over-provision in prior years	(8,906)	(1,793)
Deferred taxation	901	197
	<u>          </u>	<u>          </u>
Taxation (credit)/charge	<u>(927)</u>	<u>8,973</u>

## 8 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 June 2014 (2013: Nil).

## 9 Earnings/(loss) per share

### (a) Basic

The calculation of the basic earnings/(loss) per share is based on consolidated profit attributable to the equity holders of the Company of HK\$29,458,000 (2013: loss of HK\$113,465,000) and the weighted average of 3,893,270,558 (2013: 3,893,270,558) ordinary shares in issue during the period.

### (b) Diluted

Diluted earnings per share is equal to the basic earnings per share for the period ended 30 June 2014 as all the outstanding share options granted by the Company were lapsed. For the period ended 30 June 2013, 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.

**10 Trade and other receivables**

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Trade receivables	398,494	397,111
Prepayments, deposits and other receivables	393,339	396,058
	<u>791,833</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 120 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.

The ageing analyses of the Group's trade receivables were as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Current	96,322	94,622
31-60 days	108,001	114,330
61-90 days	65,405	64,569
Over 90 days	221,710	217,843
	<u>491,438</u>	<u>491,364</u>
Less: Provision for impairment	(92,944)	(94,253)
	<u>398,494</u>	<u>397,111</u>

**11 Trade and other payables**

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Trade payables	269,243	280,640
Other payables and accruals	596,549	665,166
	<u>865,792</u>	<u>945,806</u>

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

The ageing analyses of the Group's trade payables were as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Current	48,408	60,700
31-60 days	24,878	28,045
61-90 days	10,697	15,521
Over 90 days	185,260	176,374
	<u>269,243</u>	<u>280,640</u>

## **CORPORATE GOVERNANCE CODE (“Code”)**

The Company has complied with all the code provisions of the Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2014, save and except Code Provision A.5 of the Code.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules as the Group’s code of conduct regarding Directors’ securities transactions. In response to specific enquiry made with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2014.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed shares. In addition, the Company has not redeemed any of its listed shares during the period.

## **GENERAL INFORMATION**

The unaudited condensed consolidated interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2014 have been reviewed by the Company’s auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The auditor’s independent review report will be included in the Interim Report to shareholders. The unaudited condensed consolidated interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2014 have been reviewed by the Audit Committee of the Company.

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
<i>Mr. Yeung Kwok Mung</i>	<i>Mr. Frank Sixt (Chairman)</i>	<i>Mr. Henry Cheong</i>
<i>Ms. Angela Mak</i>	<i>Ms. Debbie Chang</i>	<i>Mr. James Sha</i>
	<i>Mr. Edmond Ip</i>	<i>Mr. Albert Ip</i>
	<i>Mrs. Angelina Lee</i>	
		<i>Alternate Director:</i>
		<i>Mrs. Chow Woo Mo Fong, Susan</i>
		<i>(Alternate to Mr. Frank Sixt)</i>