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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 2020

CHAIRMAN'S STATEMENT

In 2020, TOM Group maintained its strategic focus on high growth potential sectors such as e-commerce/new retail, fintech and advanced data analytics, and at the same time stepped up its efforts to restructure non-performing businesses. Affected by the COVID-19 pandemic, the Group's consolidated revenue dropped by 5% to HK\$868 million. Gross revenues from Technology Platform and Investments and Media businesses amounted to HK\$64 million and HK\$806 million respectively. An impairment loss of approximately HK\$1,016 million, which is non-cash in nature, was recognised in relation to the Group's investments in Ule. Loss before net finance costs and taxation and loss attributable to shareholders were HK\$1,072 million and HK\$1,064 million respectively. Excluding the impairment loss relating to Ule, loss before net finance costs and taxation and loss attributable to shareholders were HK\$56 million and HK\$145 million respectively.

Ule, a joint operation with China Post which focuses on providing e-commerce/new retail services in rural areas of Mainland China, continued the development of rural New Retail and associated B2B business with focus on supply chain innovation during the year. However, the COVID-19 pandemic and associated lock-down and other restrictions severely affected Ule's supply chain and logistic network during the year. Due to the underperformance of Ule in the second half of 2020 and ongoing discussions between Ule's shareholders regarding the determination of Ule's operating targets going forward and the future financing of Ule's business, the Company determined to recognise an impairment loss in FY2020 calculated by applying an expected cash flow approach for the investment value of Ule, reflecting the weighted average of the possible outcomes arising from different options for the strategic

development of Ule which are the subject of ongoing discussions between Ule's shareholders. As the impairment loss relates to the Group's carrying value of its investment in Ule for FY2020 and is non-cash in nature, it will not have any material adverse impact on the Group's current and future cash flow and daily operations. Ule recorded a B2B GMV of RMB6.0 billion for the year compared to RMB10.4 billion in last year.

Pixnet, the Group's Social Network business, continues to be the largest social and networking website in Taiwan according to Alexa. During the year, Pixnet's business was impacted by COVID-19 pandemic as advertising spending plummeted and consumer activities slowed down. Gross revenue of Pixnet was HK\$48 million and segment loss was HK\$2 million for the year.

As a market leader in the publishing industry in Taiwan, Cite, the Group's publishing arm, recorded gross revenue of HK\$772 million for the year. Segment profit from the Publishing Group was HK\$62 million, representing an increase of 6% compared to HK\$58 million in last year despite the outbreak of COVID-19 pandemic. Looking forward, the uncertainties of pandemic still exist and the traditional publishing market in Taiwan remains to be challenging. The Group will remain focused on operational efficiency while accelerating the development of digital offerings and pursuing revenue stream diversification to tap into growth opportunities post COVID.

Finally, the Group made progress this year in exiting non-performing Outdoor Media advertising businesses. Gross revenue of Outdoor Media business was HK\$10 million and its segment loss was HK\$0.5 million this year.

I would like to take this opportunity to thank our shareholders, business partners, the management and all dedicated staff for their continued support to the Group.

Frank John Sixt
Chairman

Hong Kong, 11 March 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Consolidated revenue	867,970	916,115
Loss ⁽¹⁾ before goodwill impairment, provision for impairment in amounts due from associated companies and provision for impairment in investments accounted for using the equity method	(55,824)	(84,560)
Goodwill impairment ⁽²⁾	(46,333)	(6,468)
Provision for impairment in amounts due from associated companies	(95,080)	–
Provision for impairment in investments accounted for using the equity method	(874,444)	–
Loss before net finance costs and taxation	(1,071,681)	(91,028)
Loss attributable to equity holders of the Company	(1,063,933)	(197,281)
Loss per share (HK cents)	(26.88)	(4.98)
Net (liabilities)/assets	(916,161)	176,884

(1) Being loss before net finance costs and taxation (including share of results of investments accounted for using the equity method)

(2) Goodwill impairment of HK\$46,333,000 was related to e-commerce operation under E-Commerce Group (2019: HK\$6,468,000 was related to a traditional advertising operation under the Advertising Group)

BUSINESS REVIEW

In 2020, the outbreak of COVID-19 posted unprecedented challenges to the global economy. Against the backdrop of economic disruptions in the Greater China region, our Media Business demonstrated strong resilience and accelerated its digital initiatives in order to take advantage of opportunities arising from the COVID-19 New Normal. During the review period, our Media Business recorded gross revenue of HK\$806 million with operation segment profit increasing by 10% to HK\$60 million. Gross revenue for the Group's Technology Platform and Investments was HK\$64 million and segment profit was HK\$12 million. The Group strategically invested in data-driven and ESG-related sectors to drive long term growth in view of the post-pandemic business environment.

Media Business

As a market leader in the publishing industry in Taiwan, Cite, the Group's Publishing business, delivered solid business results despite the COVID-19 crisis. During the review period, Cite maintained a gross revenue of HK\$772 million, while segment profit increased by 6% to HK\$62 million amidst a challenging operating environment, through cost optimisation initiatives and execution of digital business strategy. *Business Weekly*, the Group's flagship brand with premium content, accelerated its digital transformation efforts to turn adversity into business opportunities to drive further growth. Through the integration of innovative O2O service offerings, *Business Weekly* was able to grow its digital revenue by over 30% year-on-year. COVID-19 catalysed a significant shift towards digital content and online learning that is projected to continue in the post-pandemic era. Looking ahead, *Business Weekly* will continue to leverage its core competencies in premium content creation to roll out an array of new digital products that will facilitate businesses and executives to enrich online learning and knowledge sharing capabilities within their organisations.

During the review period, the Group's traditional Advertising business in Mainland China continued its restructuring efforts and further narrowed losses by 44%.

Technology Platform and Investments

Pixnet is the Group's Social Networking technology platform with approximately 7 million members and an average of around 5 million unique visitors per day. It is the largest community website in Taiwan focusing on food, lifestyle and travel, which are among the sectors that were hit the hardest by the COVID-19 pandemic. During the review period, Pixnet's business was severely impacted as advertising spending plummeted and consumer activities slowed down. Gross revenue decreased by 33% to HK\$48 million and segment loss was HK\$2 million. In view of a hopeful post-pandemic rebound of the Taiwan economy in the coming year, Pixnet strives to regain growth momentum by riding on its strong user base, well-established social networking reach and engagement, as well as its unique digital service offerings.

During the review period, the Group invested in MioTech, a Hong Kong/China based artificial intelligence platform which provides comprehensive ESG solutions to financial institutions and listed companies in the Greater China region using cutting-edge machine learning and natural-language processing technology. TOM Group first invested in MioTech in March 2020 and made a follow-on investment in October the same year. The investment in MioTech is in line with the Group's strategic focus on data-driven and high growth potential sectors. Not only will the continued investment in MioTech enrich our existing investment portfolio in fintech and advanced data analytics, but it will also allow us to explore possibilities of operational synergy within the Group in developing new business opportunities, arising from the growing need for ESG products and services in the post-pandemic economy. As at 31 December 2020, TOM Group owns 9.26% in MioTech on an issued basis. Other investors of MioTech include Moody's and HSBC.

In 2014, TOM Group invested in WeLab, a leading Asian fintech company. WeLab operates market-leading online consumer credit platforms and one of the first digital banks in Asia. WeLab Bank is fully licensed by the Hong Kong Monetary Authority, with deposits protected under the Deposit Protection Scheme. WeLab builds advanced big-data, AI and patented privacy computing technology to help customers access credit and banking through seamless, fully digital experiences. Currently, WeLab serves over 47 million users and provides enterprise solutions to around 600 customers across 3 markets (Hong Kong, Mainland China and Indonesia). WeLab was recently ranked #2 by Financial Times Asia-Pacific High-Growth Companies 2020 and CNBC's Top 50 most disruptive companies in the world. As at 31 December 2020, TOM Group owns 8.25% in WeLab on an issued basis. Other investors of WeLab include Sequoia and International Finance Corporation (IFC).

Ule is the Group's joint operation with China Post. During the year, Ule's supply chain and logistics network were severely affected by the COVID-19 pandemic and associated lock-down and other restrictions. B2B GMV was RMB6.0 billion as compared to RMB10.4 billion in the previous year. In view of the underperformance of Ule in the second half of 2020 and ongoing discussions between Ule's shareholders regarding the determination of Ule's operating targets going forward and the future financing of the business, the Group determined to recognise a provision for impairment loss for its investment in Ule for the year 2020.

For the year ended 31 December 2020, the Group recorded a 5% drop in revenue to HK\$868 million with a gross profit margin of 41%. Provision for impairment losses of approximately HK\$1,016 million, which is non-cash in nature, was recognised in relation to the Group's investments in Ule. Loss before net finance costs and taxation and loss attributable to shareholders were HK\$1,072 million and HK\$1,064 million respectively. Excluding the provision for impairment losses relating to Ule, loss before net finance costs and taxation and loss attributable to shareholders were HK\$56 million and HK\$145 million respectively.

Given ongoing uncertainties surrounding the timelines of COVID-19 vaccine rollout and economic recovery in 2021, TOM Group will remain prudent in managing its operations and double down on investments in high growth businesses that will flourish in the post-pandemic economic environment in order to create long term value for our shareholders.

FINANCIAL REVIEW

TOM Group reports its results in five business segments under two business streams, namely E-Commerce Group, Mobile Internet Group and Social Network Group of Technology Platform and Investments, and Publishing Group and Advertising Group of Media Business.

Consolidated Revenue

The Group was impacted by the economic slowdown as a result of COVID-19 pandemic and recorded consolidated revenue of HK\$868 million, a drop of 5% compared to last year, especially in the Mobile Internet, Social Network and traditional advertising business segments.

Segment Results

The segment profit/loss refers to profit/loss before finance costs and taxation, gain/loss on disposal of subsidiaries, share of results of investments accounted for using the equity method, provision for impairment of goodwill, provision for impairment in investments accounted for using the equity method, provision for impairment in amounts due from associated companies, fair value gain on financial asset at fair value through profit or loss and gain on dilution of shareholding in associated companies.

The Group continues with its ongoing strategy to focus on optimising the high growth e-commerce/new retail business in Ule, a material associate of the Group in Mainland China providing e-commerce platform for rural areas in China. The segment results of the E-Commerce Group were largely related to the share of result of Ule. Ule's supply chain and logistic network suffered from the adverse impact of COVID-19 pandemic and associated lock-down and other restrictions in this year, nevertheless, Ule are optimistic in long run on e-commerce/new retail market in Mainland China. Due to the underperformance of Ule in the second half of 2020 and ongoing discussions between Ule's shareholders regarding the determination of Ule's operating targets going forward and the future financing of Ule's business, the Company has applied an expected cash flow approach for the investment value of Ule, which reflects the weighted average of the possible outcomes arising from different options for the strategic development of Ule which are the subject of ongoing discussions between Ule's shareholders, and has recognised provision for impairment losses which are non-cash in nature, in this year of approximately HK\$874 million, approximately HK\$95 million and approximately HK\$46 million for the Group's investments accounted for using the equity method, amounts due from associated companies and goodwill respectively.

The Mobile Internet Group reported gross revenue of HK\$9 million and segment loss of HK\$5 million in this year.

The Social Network Group, represented by Pixnet, remain to be the largest social and networking website in Taiwan. Gross revenue was reported at HK\$48 million with a segment loss of HK\$2 million.

The Publishing Group maintained its market leader position in the publishing industry in Taiwan. Notwithstanding the impacted market sentiment under the COVID-19 pandemic, the Publishing Group outperformed the market by delivering a gross revenue of HK\$772 million. The segment profit was HK\$62 million in this year, representing an encouraging growth of 6%. The Group will remain focused on operational efficiency of this business segment while accelerating the development of digital offerings and pursuing revenue stream diversification to tap into growth opportunities post COVID.

The Advertising Group recorded a gross revenue of HK\$34 million in 2020, representing a decrease of 29%. It was primarily attributable to the weakening traditional advertising market in Mainland China. Nevertheless, segment loss narrowed by 44% to HK\$2 million in this year. The Group would continue its strategy to seek exit from certain non-performing outdoor media businesses.

Share of Results of Investments Accounted for Using the Equity Method

The share of results is mainly contributed by the Group's share of result of Ule.

Loss before Net Finance Costs and Taxation

The Group's loss before net finance costs and taxation for the year amounted to HK\$1,072 million, compared to HK\$91 million in last year. Excluding the effect on one-off non-cash events such as provision for impairment of goodwill of approximately HK\$46 million, provision for impairment in investments accounted for using the equity method of approximately HK\$874 million and provision for impairment in amounts due from associated companies of approximately HK\$95 million (2019: gain on dilution of shareholding in associated companies of HK\$26 million and provision for impairment of goodwill of HK\$6 million), the recurring loss before finance costs and taxation was HK\$56 million, narrowed by 50% from that of last year's HK\$111 million.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year was HK\$1,064 million, compared to last year's HK\$197 million. The increase was primarily attributable to the one-off non-cash events such as provision for impairment in investments accounted for using the equity method and provision for impairment in amounts due from associated companies.

Liquidity and Financial Resources

As at 31 December 2020, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$453 million. A total of HK\$3,877 million financing facilities were available, of which HK\$3,288 million, or 85%, had been utilised as at 31 December 2020, to finance the Group's investment, capital expenditures and for working capital purposes.

The principal of the total borrowings of TOM Group amounted to approximately HK\$3,288 million as at 31 December 2020, of which HK\$3,200 million and HK\$88 million equivalent are denominated in Hong Kong dollar and New Taiwan dollar respectively. The borrowings included long-term bank loans of approximately HK\$3,254 million (including portion repayable within one year), and short-term bank loans of approximately HK\$34 million. All bank loans bore floating interest rates. The gearing ratio (Total principal amount of bank borrowings/(Total principal amount of bank borrowings + Deficit/Equity)) of TOM Group was 139% as at 31 December 2020, compared to 95% as at 31 December 2019.

As at 31 December 2020, the Group had net current assets of approximately HK\$176 million, compared to the balance of approximately HK\$320 million as at 31 December 2019. The current ratio (Current assets/Current liabilities) of TOM Group was 1.25 as at 31 December 2020, compared to 1.49 as at 31 December 2019. The decrease in current ratio is attributable to the reclassification of amounts due from associated companies from current assets to non-current assets during the year as a result of ongoing discussions between Ule's shareholders on Ule's operating targets going forward and the future financing. Resulted from the provision for impairment losses made on investments accounted for using the equity method, amounts due from associated companies and goodwill, the Group recorded net liabilities of approximately HK\$916 million as at 31 December 2020, compared to net assets of HK\$177 million as at 31 December 2019.

In 2020, net cash generated from operating activities after interest and taxation paid increased by 75% to HK\$140 million. Net cash outflow used in investing activities was HK\$134 million, mainly included capital expenditures of HK\$131 million. During the year, net cash inflow from financing activities amounted to HK\$51 million, mainly from the drawdown of bank loans, net of repayment, of HK\$107 million, partially offset by lease principal payment of HK\$28 million, payment of loan arrangement fee of HK\$18 million and dividends paid to non-controlling interests of subsidiaries of HK\$11 million.

Charges on Group Assets

As at 31 December 2020, the Group had restricted cash amounting to HK\$7 million, being bank deposits mainly pledged in favour of certain publishing distributors as retainer fee for potential sales return, and banks as security for credit card and advance receipt in Taiwan.

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Subsequent Events

In February 2021, the Group, through its non-wholly owned subsidiary, completed a share subscription of US\$3 million in WeLab, a leading Asian fintech company. After the subscription, the interest in WeLab is 8.01% on an issued basis.

Except for the above and the Company's announcement dated 24 February 2021, there is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

Foreign Exchange Exposure

The Group's operations principally locate in Mainland China and Taiwan, with transactions and related working capital denominated in Renminbi and New Taiwan dollar respectively. In general, it is the Group's policy for each operating entity to borrow in their local currencies, where necessary, to minimise currency risk. Overall, the Group is not exposed to significant foreign exchange risk; however, the Group will monitor this risk on an ongoing basis.

Employee Information

As at 31 December 2020, TOM Group had approximately 1,200 full-time employees (excluding approximately 400 full-time employees of Ule, an associated company of TOM). Employee costs, excluding Directors' emoluments, amounting to HK\$333 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. Further information in relation to our employment and labour practices is set out in the "Environmental, Social and Governance Report" in the Group's 2020 Annual Report.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as profit/(loss) before net finance costs and taxation including share of results of investments accounted for using the equity method and excluding gain on dilution of shareholding in associated companies, provision for impairment of goodwill, provision for impairment in amounts due from associated companies and provision for impairment in investments accounted for using the equity method, and segment profit/(loss) 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 2020**

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	<u>867,970</u>	<u>916,115</u>
Cost of sales		(508,633)	(531,590)
Selling and marketing expenses		(142,547)	(145,669)
Administrative expenses		(67,707)	(69,410)
Other operating expenses, net	6	(143,555)	(164,509)
Other gains, net		16,720	17,410
Fair value gain on financial asset at fair value through profit or loss	5	<u>–</u>	<u>84,287</u>
Provision for impairment of goodwill	3	22,248 (46,333)	106,634 (6,468)
Provision for impairment in amounts due from associated companies	3	<u>(95,080)</u>	<u>–</u>
		(119,165)	100,166
Share of profits less losses of investments accounted for using the equity method			
– Share of operating losses		(78,072)	(106,907)
– Share of fair value losses on financial liabilities at fair value through profit or loss		–	(84,287)
Provision for impairment in investments accounted for using the equity method	3	<u>(874,444)</u>	<u>–</u>
	4	<u>(952,516)</u>	<u>(191,194)</u>
Loss before net finance costs and taxation	7	(1,071,681)	(91,028)
Finance income		5,749	6,008
Finance costs		<u>(81,027)</u>	<u>(101,875)</u>
Finance costs, net	8	<u>(75,278)</u>	<u>(95,867)</u>
Loss before taxation		(1,146,959)	(186,895)
Taxation	9	<u>(11,196)</u>	<u>(9,628)</u>
Loss for the year		<u>(1,158,155)</u>	<u>(196,523)</u>

**CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 HK\$'000	2019 HK\$'000
Attributable to:			
– Non-controlling interests		<u>(94,222)</u>	<u>758</u>
– Equity holders of the Company		<u>(1,063,933)</u>	<u>(197,281)</u>
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	11	<u>HK(26.88) cents</u>	<u>HK(4.98) cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 HK\$'000	2019 HK\$'000
Loss for the year	(1,158,155)	(196,523)
Other comprehensive income for the year, net of tax		
– Items that will not be reclassified subsequently to income statement:		
Remeasurement of defined benefit plans	842	1,526
Revaluation surplus of financial assets at fair value through other comprehensive income	39,892	284,040
Share of revaluation surplus through other comprehensive income from an associated company	<u>1,221</u>	<u>104,970</u>
	----- 41,955	----- 390,536
– Item that may be subsequently reclassified to income statement:		
Exchange translation differences	<u>26,030</u>	<u>320</u>
	----- 67,985	----- 390,856
Total comprehensive (expense)/income for the year	<u><u>(1,090,170)</u></u>	<u><u>194,333</u></u>
Total comprehensive (expense)/income for the year attributable to:		
– Non-controlling interests	<u><u>(82,335)</u></u>	<u><u>41,257</u></u>
– Equity holders of the Company	<u><u>(1,007,835)</u></u>	<u><u>153,076</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		36,486	38,325
Right-of-use assets		32,760	47,309
Investment properties		22,800	21,268
Goodwill		528,211	570,856
Other intangible assets		140,862	134,509
Investments accounted for using the equity method	4	230,470	1,201,769
Financial assets at fair value through other comprehensive income		1,017,454	955,859
Deferred tax assets		48,935	45,767
Pension assets		4,233	2,745
Other non-current assets		95,187	1,841
		<u>2,157,398</u>	<u>3,020,248</u>
Current assets			
Inventories		97,207	101,935
Trade and other receivables	12	311,383	496,994
Restricted cash		6,691	7,598
Cash and cash equivalents		452,915	371,776
		<u>868,196</u>	<u>978,303</u>
Current liabilities			
Trade and other payables	13	575,604	566,103
Taxation payable		24,168	14,502
Long-term bank loans – current portion		33,060	11,633
Short-term bank loans		34,438	38,775
Lease liabilities – current portion		25,395	26,877
		<u>692,665</u>	<u>657,890</u>
Net current assets		<u>175,531</u>	<u>320,413</u>
Total assets less current liabilities		<u>2,332,929</u>	<u>3,340,661</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	2020 HK\$'000	2019 HK\$'000
Non-current liabilities		
Deferred tax liabilities	12,744	12,857
Long-term bank loans – non-current portion	3,212,651	3,112,453
Lease liabilities – non-current portion	10,020	22,362
Pension obligations	13,675	16,105
	<u>3,249,090</u>	<u>3,163,777</u>
Net (liabilities)/assets	<u>(916,161)</u>	<u>176,884</u>
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	395,852	395,852
Deficits	(1,589,291)	(581,456)
Own shares held	(6,244)	(6,244)
	<u>(1,199,683)</u>	<u>(191,848)</u>
Non-controlling interests	283,522	368,732
Total (deficit)/equity	<u>(916,161)</u>	<u>176,884</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	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	Fair value through other comprehensive income reserve HK\$'000	Properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total shareholders' deficits HK\$'000	Non-controlling interests HK\$'000	Total equity/(deficit) HK\$'000
Balance at 1 January 2020	395,852	(6,244)	3,744,457	(75,079)	776	170,872	480,550	14,625	681,956	6,096	(5,605,709)	(191,848)	368,732	176,884
Comprehensive income:														
Loss for the year	-	-	-	-	-	-	-	-	-	-	(1,063,933)	(1,063,933)	(94,222)	(1,158,155)
Other comprehensive income:														
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	973	973	(131)	842
Revaluation surplus of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	39,126	-	-	-	-	39,126	766	39,892
Share of revaluation surplus through other comprehensive income from an associated company	-	-	-	-	-	-	1,099	-	-	-	-	1,099	122	1,221
Exchange translation differences	-	-	-	-	-	-	-	-	14,900	-	-	14,900	11,130	26,030
Total comprehensive (expense)/income for the year ended 31 December 2020	-	-	-	-	-	-	40,225	-	14,900	-	(1,062,960)	(1,007,835)	(82,335)	(1,090,170)
Transactions with equity holders:														
Dividends distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(6,322)	(6,322)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,447	3,447
Transfer to general reserve	-	-	-	-	-	3,814	-	-	-	-	(3,814)	-	-	-
Transfer to accumulated losses upon disposal of a financial asset at fair value through other comprehensive income	-	-	-	-	-	-	(8,167)	-	-	-	8,167	-	-	-
Transactions with equity holders	-	-	-	-	-	3,814	(8,167)	-	-	-	4,353	-	(2,875)	(2,875)
Balance at 31 December 2020	395,852	(6,244)	3,744,457	(75,079)	776	174,686	512,608	14,625	696,856	6,096	(6,664,316)	(1,199,683)	283,522	(916,161)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	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	Fair value through other comprehensive income reserve HK\$'000	Properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total shareholders' deficits HK\$'000	Non-controlling interests HK\$'000	Total equity/(deficit) HK\$'000
Balance at 1 January 2019	395,852	(6,244)	3,744,457	(75,079)	776	165,847	327,679	14,625	684,211	6,096	(5,603,144)	(344,924)	344,188	(736)
Comprehensive income:														
Loss for the year	-	-	-	-	-	-	-	-	-	-	(197,281)	(197,281)	758	(196,523)
Other comprehensive income:														
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	1,450	1,450	76	1,526
Revaluation surplus of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	256,687	-	-	-	-	256,687	27,353	284,040
Share of revaluation surplus through other comprehensive income from an associated company	-	-	-	-	-	-	94,475	-	-	-	-	94,475	10,495	104,970
Transfer of financial assets at fair value through other comprehensive income from an associated company	-	-	-	-	-	-	(198,291)	-	-	-	198,291	-	-	-
Exchange translation differences	-	-	-	-	-	-	-	-	(2,255)	-	-	(2,255)	2,575	320
Total comprehensive income/(expense) for the year ended 31 December 2019	-	-	-	-	-	-	152,871	-	(2,255)	-	2,460	153,076	41,257	194,333
Transactions with equity holders:														
Dividends distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(9,734)	(9,734)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(6,979)	(6,979)
Transfer to general reserve	-	-	-	-	-	5,025	-	-	-	-	(5,025)	-	-	-
Transactions with equity holders	-	-	-	-	-	5,025	-	-	-	-	(5,025)	-	(16,713)	(16,713)
Balance at 31 December 2019	395,852	(6,244)	3,744,457	(75,079)	776	170,872	480,550	14,625	681,956	6,096	(5,605,709)	(191,848)	368,732	176,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

This financial information is extracted from the Group's audited consolidated financial statements, which have been prepared in accordance with all applicable 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 financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), defined benefit plan assets, investment properties and investments accounted for using the equity method, of which the retained interests are remeasured to the fair value at the date when the Group lost control in the subsidiaries which became investments accounted for using the equity method of the Group.

The preparation of consolidated 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 preparing these consolidated financial statements, the Group has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As at 31 December 2020, the Group had net liabilities of HK\$916 million. The Group also has undrawn banking facilities guaranteed by one of its substantial shareholders. Given its availability to the banking facilities, the Group considers it will have adequate financial resources to enable it to operate and meet its liabilities and commitments as and when they fall due within the next 12 months from the end of the reporting period. Accordingly, the Group has prepared these consolidated financial statements on a going concern basis.

In the current year, the Group has adopted all the amendments to standards and interpretation issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2020.

The adoption of these amendments to standards and 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 e-commerce/new retail operations.
- Mobile Internet Group – provision of mobile Internet services, online advertising and commercial enterprise solutions.
- Social Network Group – provision of services of online community and social networking websites and related online advertising.
- Publishing Group – magazine and book publishing and circulation, sales of advertising and other related products.
- Advertising Group – advertising sales of outdoor media assets and provision of outdoor media services; 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 2020 are as follows:

	Year ended 31 December 2020							
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	Total HK\$'000
Gross segment revenue	5,650	9,423	48,443	63,516	772,092	33,923	806,015	869,531
Inter-segment revenue	-	-	(1,038)	(1,038)	(1)	(522)	(523)	(1,561)
Net revenue from external customers	<u>5,650</u>	<u>9,423</u>	<u>47,405</u>	<u>62,478</u>	<u>772,091</u>	<u>33,401</u>	<u>805,492</u>	<u>867,970</u>
Timing of revenue recognition:								
At a point in time	61	3,517	47,405	50,983	706,685	3,546	710,231	761,214
Over time	<u>5,589</u>	<u>5,906</u>	<u>-</u>	<u>11,495</u>	<u>65,406</u>	<u>29,855</u>	<u>95,261</u>	<u>106,756</u>
	<u>5,650</u>	<u>9,423</u>	<u>47,405</u>	<u>62,478</u>	<u>772,091</u>	<u>33,401</u>	<u>805,492</u>	<u>867,970</u>
Segment profit/(loss) before amortisation and depreciation	18,268	(2,709)	3,437	18,996	208,310	(655)	207,655	226,651
Amortisation and depreciation	<u>(3)</u>	<u>(2,036)</u>	<u>(5,436)</u>	<u>(7,475)</u>	<u>(146,284)</u>	<u>(1,235)</u>	<u>(147,519)</u>	<u>(154,994)</u>
Segment profit/(loss)	<u>18,265</u>	<u>(4,745)</u>	<u>(1,999)</u>	<u>11,521</u>	<u>62,026</u>	<u>(1,890)</u>	<u>60,136</u>	<u>71,657</u>
Other material items:								
Gain on disposal of a subsidiary	-	-	-	-	-	2,372	2,372	2,372
Provision for impairment of goodwill	<u>(46,333)</u>	-	-	<u>(46,333)</u>	-	-	-	<u>(46,333)</u>
Provision for impairment in amounts due from associated companies	<u>(17,638)</u>	<u>(75,804)</u>	-	<u>(93,442)</u>	-	-	-	<u>(93,442)</u>
Share of profits less losses of investments accounted for using the equity method								
- Share of operating (losses)/profits	<u>(81,474)</u>	<u>158</u>	-	<u>(81,316)</u>	<u>3,244</u>	-	<u>3,244</u>	<u>(78,072)</u>
Provision for impairment in investments accounted for using the equity method	<u>(874,444)</u>	-	-	<u>(874,444)</u>	-	-	-	<u>(874,444)</u>
	<u>(1,019,889)</u>	<u>(75,646)</u>	-	<u>(1,095,535)</u>	<u>3,244</u>	<u>2,372</u>	<u>5,616</u>	<u>(1,089,919)</u>
Finance costs:								
Finance income (note a)	6	2,017	17	2,040	2,922	565	3,487	5,527
Finance expenses	-	<u>(66)</u>	<u>(72)</u>	<u>(138)</u>	<u>(1,985)</u>	<u>(57)</u>	<u>(2,042)</u>	<u>(2,180)</u>
	<u>6</u>	<u>1,951</u>	<u>(55)</u>	<u>1,902</u>	<u>937</u>	<u>508</u>	<u>1,445</u>	<u>3,347</u>
Segment profit/(loss) before taxation	<u>(1,001,618)</u>	<u>(78,440)</u>	<u>(2,054)</u>	<u>(1,082,112)</u>	<u>66,207</u>	<u>990</u>	<u>67,197</u>	<u>(1,014,915)</u>
Unallocated corporate expenses								<u>(132,044)</u>
Loss before taxation								<u>(1,146,959)</u>
Expenditure for operating segment non-current assets	-	1,936	2,791	4,727	142,507	-	142,507	147,234
Unallocated expenditure for non-current assets								140
Total expenditure for non-current assets								<u>147,374</u>

Note (a):

Inter-segment interest income amounted to HK\$2,559,000 was included in the finance income.

2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2020 are as follows:

	As at 31 December 2020							Total HK\$'000
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	
Segment assets	259,828	832,811	41,324	1,133,963	1,364,137	115,081	1,479,218	2,613,181
Investments accounted for using the equity method	220,414	4,876	–	225,290	5,180	–	5,180	230,470
Unallocated assets								181,943
Total assets								<u>3,025,594</u>
Segment liabilities	22,958	40,265	16,323	79,546	426,646	43,844	470,490	550,036
Unallocated liabilities:								
Corporate liabilities								74,658
Current taxation								24,168
Deferred taxation								12,744
Borrowings								3,280,149
Total liabilities								<u>3,941,755</u>

2 Turnover, revenue and segment information (Continued)

The segment results for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019							Total HK\$'000
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	
Gross segment revenue	9,038	16,217	72,500	97,755	772,079	47,624	819,703	917,458
Inter-segment revenue	-	-	(1,008)	(1,008)	-	(335)	(335)	(1,343)
Net revenue from external customers	<u>9,038</u>	<u>16,217</u>	<u>71,492</u>	<u>96,747</u>	<u>772,079</u>	<u>47,289</u>	<u>819,368</u>	<u>916,115</u>
Timing of revenue recognition:								
At a point in time	114	4,353	71,492	75,959	699,642	6,768	706,410	782,369
Over time	8,924	11,864	-	20,788	72,437	40,521	112,958	133,746
	<u>9,038</u>	<u>16,217</u>	<u>71,492</u>	<u>96,747</u>	<u>772,079</u>	<u>47,289</u>	<u>819,368</u>	<u>916,115</u>
Segment profit/(loss) before amortisation and depreciation	(5,488)	6,799	8,138	9,449	195,442	503	195,945	205,394
Amortisation and depreciation	(2)	(5,242)	(5,045)	(10,289)	(137,194)	(3,854)	(141,048)	(151,337)
Segment profit/(loss)	<u>(5,490)</u>	<u>1,557</u>	<u>3,093</u>	<u>(840)</u>	<u>58,248</u>	<u>(3,351)</u>	<u>54,897</u>	<u>54,057</u>
Other material items:								
Fair value gain on financial asset at FVPL	84,287	-	-	84,287	-	-	-	84,287
Gain on dilution of shareholding in associated companies	26,320	-	-	26,320	-	-	-	26,320
Loss on disposal of subsidiaries	-	-	-	-	-	(5,081)	(5,081)	(5,081)
Provision for impairment of goodwill	-	-	-	-	-	(6,468)	(6,468)	(6,468)
Share of profits less losses of investments accounted for using the equity method								
- Share of operating (losses)/profits	(108,901)	(890)	-	(109,791)	2,884	-	2,884	(106,907)
- Share of fair value losses on financial liabilities at FVPL	(84,287)	-	-	(84,287)	-	-	-	(84,287)
	<u>(82,581)</u>	<u>(890)</u>	<u>-</u>	<u>(83,471)</u>	<u>2,884</u>	<u>(11,549)</u>	<u>(8,665)</u>	<u>(92,136)</u>
Finance costs:								
Finance income (note a)	2,902	2,020	65	4,987	3,880	628	4,508	9,495
Finance expenses	-	(159)	(79)	(238)	(2,837)	(248)	(3,085)	(3,323)
	<u>2,902</u>	<u>1,861</u>	<u>(14)</u>	<u>4,749</u>	<u>1,043</u>	<u>380</u>	<u>1,423</u>	<u>6,172</u>
Segment profit/(loss) before taxation	<u>(85,169)</u>	<u>2,528</u>	<u>3,079</u>	<u>(79,562)</u>	<u>62,175</u>	<u>(14,520)</u>	<u>47,655</u>	<u>(31,907)</u>
Unallocated corporate expenses								(154,988)
Loss before taxation								<u>(186,895)</u>
Expenditure for operating segment non-current assets	28	141	12,594	12,763	122,213	3,366	125,579	138,342
Unallocated expenditure for non-current assets								<u>1</u>
Total expenditure for non-current assets								<u>138,343</u>

Note (a):

Inter-segment interest income amounted to HK\$3,497,000 was included in the finance income.

2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2019 are as follows:

	As at 31 December 2019							Total HK\$'000
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	
Segment assets	303,264	911,540	55,011	1,269,815	1,304,569	116,479	1,421,048	2,690,863
Investments accounted for using the equity method	1,192,657	4,414	–	1,197,071	4,698	–	4,698	1,201,769
Unallocated assets								105,919
Total assets								3,998,551
Segment liabilities	22,162	41,385	26,432	89,979	408,925	48,508	457,433	547,412
Unallocated liabilities:								
Corporate liabilities								84,035
Current taxation								14,502
Deferred taxation								12,857
Borrowings								3,162,861
Total liabilities								3,821,667

The unallocated assets represent the corporate assets. The unallocated liabilities represent the corporate liabilities in addition to operating segment taxation payable, deferred tax liabilities and borrowings which are managed on a central basis.

3 Provision for impairment of investments accounted for using the equity method, goodwill and amounts due from associated companies

	2020 HK\$'000	2019 HK\$'000
Provision for impairment in respect of:		
Investments accounted for using the equity method	874,444	–
Goodwill	46,333	6,468
Amounts due from associated companies	95,080	–
	<u>915,857</u>	<u>6,468</u>

Note:

Given the underperformance of Ule Holdings Limited (“Ule Holdings”) and its subsidiaries (“Ule Holdings Group”), the material associated companies of the Group, in the second half of 2020 and concurrently, the shareholders of Ule Holdings Group are evaluating different options for the strategic development of Ule Holdings Group, impairment assessments on the carrying value of investments accounted for using the equity method and goodwill attributable to the E-Commerce Group were performed and the Group considers there has been significant increase in credit risk for amounts due from Ule Holdings Group. As a result, provisions for impairment of investments accounted for using the equity method amounting to HK\$874,444,000, goodwill related to E-Commerce Group amounting to HK\$46,333,000 and amounts due from associated companies amounting to HK\$95,080,000 were recognised respectively in the year ended 31 December 2020.

The provision for impairment of goodwill made for the year ended 31 December 2019 was related to a traditional advertising operation under the Advertising Group. The provision for impairment of goodwill was made with reference to the reduced estimated recoverable value of the cash-generating unit in the above-mentioned segment. The estimated recoverable value was determined based on higher of value-in-use calculation or fair value less costs of disposal calculation.

4 Investments accounted for using the equity method

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

	2020 HK\$'000	2019 HK\$'000
Associated companies, as at 31 December	230,470	1,201,769
	<u>230,470</u>	<u>1,201,769</u>

The share of net losses and provision for impairment recognised in the consolidated income statement are as follows:

	2020 HK\$'000	2019 HK\$'000
Associated companies, for the year ended 31 December		
– Share of operating losses	(78,072)	(106,907)
– Share of fair value losses on financial liabilities at FVPL (note b)	–	(84,287)
Provision for impairment in investments accounted for using the equity method (note c)	(874,444)	–
	<u>(952,516)</u>	<u>(191,194)</u>

4 Investments accounted for using the equity method (Continued)

Notes:

- (a) In June 2016, the shareholders of Ule Holdings, a material associated company of the Group, resolved the launch of share incentive options of Ule Holdings ("Ule Share Incentive Options"). Under the Ule Share Incentive Options, a total of 100,000,000 ordinary shares (based on the current par value of US\$0.00001 each) were reserved, of which 43.71% of the Ule Share Incentive Options representing 43,711,860 shares ("Ule Major Shareholder Options") were approved to be granted to one of Ule Holdings' major shareholders ("Ule Major Shareholder"), subject to the completion of a deed ("Deed") signed by Ule Holdings and all of its shareholders, and the remaining 56.29% of the Ule Share Incentive Options representing 56,288,140 shares ("Ule Other Options") were approved to be granted to directors, employees and consultants of Ule and such other persons contributing to Ule, subject to determination of the details of Ule Other Options by the Ule remuneration committee ("Ule Committee").

As at 31 December 2020, as if the Ule Share Incentive Options were all granted, fully vested and exercised, Ule Holdings would be held as to 43.71%, 38.32%, 13.04% and 4.93% by Ule Major Shareholder, a non-wholly owned subsidiary of the Group, certain investors and holders of Ule Other Options respectively on a fully diluted basis.

In June 2016, the Deed was signed by Ule Holdings, the Ule Major Shareholder and remaining shareholders of Ule Holdings, under which it was mutually agreed that Ule Holdings granted Ule Major Shareholder Options to the Ule Major Shareholder for its contributions to Ule's business over the past years. The Ule Major Shareholder Options granted to the Ule Major Shareholder are only exercisable upon the completion of a qualified initial public offering ("Qualified IPO") of Ule Holdings. The exercise price of each Ule Major Shareholder Option is at the par value of each share on the exercise date. The Deed will be terminated if the Qualified IPO of Ule Holdings is not completed within 10 years from the date of the Deed. As at 31 December 2020 and 2019, Ule Major Shareholder Options are not yet exercisable as the Qualified IPO has not occurred.

In October 2017, a total of 4,765,000 options under the Ule Other Options were granted. The options that were granted carried a Qualified IPO performance of Ule Holdings and service condition that affect vesting. As at 31 December 2020, the Qualified IPO performance condition is yet to be satisfied. As the options only vest upon a Qualified IPO, Ule Holdings did not recognise any share-based compensation expense for the year then ended. No outstanding options granted under the Ule Other Options were vested as at 31 December 2020. All the outstanding options will be expired in October 2027.

- (b) During the year ended 31 December 2019, Ule Holdings recognised financial liabilities at FVPL in relation to loan facilities from certain shareholders and also recognised the change in fair value of the financial liabilities. Accordingly, the Group shared the losses from the fair value change of the financial liabilities amounting to HK\$84,287,000 in the consolidated income statement.
- (c) As at 31 December 2020, in light of the performance and the potential options for strategic development of Ule Holdings Group, certain assumptions underlying the accounting estimate on the Ule Holdings Group's recoverable amount have been changed since the last impairment test and management has applied an expected cash flow approach which reflects the weighted average of the possible impacts. The assessment takes into account of the existing resources of Ule Holdings Group and excludes uncommitted financing arrangement as at 31 December 2020.

5 Fair value gain on financial asset at fair value through profit or loss

During the year ended 31 December 2019, the Group was offered a shareholder loan proposal by Ule Holdings to subscribe for its shareholding pro-rata amount of US\$17,658,100 (equivalent to HK\$137,733,000) loan to Ule Holdings for a period of up to 24 months with interest bearing at 3 months Hong Kong Interbank Offered Rate plus 2% per annum. Pursuant to the loan facility, the Group has an option, commencing from 6 months after the drawdown date, to demand early repayment from Ule Holdings by way of transfer of collateral, which is an unlisted equity instrument (the "Option"). Accordingly, the Group exercised the Option in November 2019 and Ule Holdings repaid the loan by way of transfer of collateral unlisted equity instrument to the Group.

During the year ended 31 December 2019, the Group recognised a fair value gain of the loan with option amounting to HK\$84,287,000 in the consolidated income statement and recognised collateral unlisted equity instrument as financial assets at FVOCI in the consolidated statement of financial position.

6 Other operating expenses, net

	2020 HK\$'000	2019 HK\$'000
Staff costs	91,632	100,032
Travel and entertainment	1,293	2,786
Provision for inventories	24,457	22,198
Provision/(reversal of provision) for impairment of trade receivables, net	3,352	(3,233)
Depreciation of fixed assets	12,018	13,247
Depreciation of right-of-use assets	24,704	26,693
Amortisation of other intangible assets	3	82
Government subsidies related to COVID-19	(16,200)	–
Other expenses	2,296	2,704
	<u>143,555</u>	<u>164,509</u>

7 Loss before net finance costs and taxation

Loss before net finance costs and taxation is stated after charging/crediting the following:

	2020 HK\$'000	2019 HK\$'000
Charging:		
Depreciation of fixed assets	17,091	18,214
Depreciation of right-of-use assets	29,281	33,461
Amortisation of other intangible assets	114,945	105,986
Provision for impairment of goodwill (note 3)	46,333	6,468
Provision for impairment in amounts due from associated companies (note 3)	95,080	–
Provision for impairment in investments accounted for using the equity method (notes 3 and 4)	874,444	–
Loss on disposal of subsidiaries (note a)	–	5,081
Exchange loss, net	–	5,209
	<u> </u>	<u> </u>
Crediting:		
Dividend income from financial assets at FVOCI	1,222	1,122
Gain on dilution of shareholding in associated companies (note b)	–	26,320
Gain on disposal of a subsidiary (note c)	2,372	–
Gain on disposal of fixed assets	216	68
Exchange gain, net	12,909	–
	<u> </u>	<u> </u>

The above expense items by nature were included in cost of sales, selling and marketing expenses, administrative expenses, other operating expenses, net and other gains, net in the consolidated income statement.

Notes:

- (a) In April 2019, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in two subsidiaries engaging in outdoor media business, at a total consideration of RMB5,000,000 (approximately HK\$5,650,000). The disposal of equity interest in the two subsidiaries was completed in June 2019. Accordingly, a loss on disposal of approximately HK\$5,081,000 was recognised in the consolidated income statement for the year ended 31 December 2019.
- (b) In April 2019, Ule Major Shareholder subscribed certain Series A Preferred Shares of Ule Holdings. Following the subscription by Ule Major Shareholder, the equity interest in Ule Holdings held by the non-wholly owned subsidiary of the Group decreased from 42.52% to 42.00%. Accordingly, a gain on dilution of shareholding in Ule Holdings of approximately HK\$26,320,000 was recognised in the consolidated income statement for the year ended 31 December 2019.
- (c) In December 2019, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in a subsidiary engaging in outdoor media business, at a total consideration of RMB200,000 (approximately HK\$222,000). The disposal of equity interest in the subsidiary was completed in February 2020. Accordingly, a gain on disposal of approximately HK\$2,372,000 was recognised in the consolidated income statement for the year ended 31 December 2020.

8 Finance costs, net

	2020 HK\$'000	2019 HK\$'000
Interest and borrowing costs on bank loans	80,117	100,402
Interest costs on lease liabilities	910	1,473
Bank interest income	(5,749)	(3,111)
Interest income on loan to an associated company	—	(2,897)
	<u>75,278</u>	<u>95,867</u>

9 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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:

	2020 HK\$'000	2019 HK\$'000
Overseas taxation	11,081	6,312
Under-provision in prior years	1,226	1,320
Deferred taxation	(1,111)	1,996
Taxation charge	<u>11,196</u>	<u>9,628</u>

10 Dividends

No dividends had been paid or declared by the Company during the year (2019: Nil).

11 Loss per share**(a) Basic**

The calculation of basic loss per share is based on consolidated loss attributable to equity holders of the Company of HK\$1,063,933,000 (2019: HK\$197,281,000) and the weighted average of 3,958,510,558 (2019: 3,958,510,558) 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 2020 (2019: Same).

12 Trade and other receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables	227,867	240,964
Prepayments, deposits and other receivables	<u>83,516</u>	<u>256,030</u>
	<u><u>311,383</u></u>	<u><u>496,994</u></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 180 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 2020 and 2019, the ageing analyses of the Group's trade receivables, based on terms specified in the contracts governing the relevant transactions, were as follows:

	2020 HK\$'000	2019 HK\$'000
Current	99,761	115,901
31 – 60 days	66,118	56,212
61 – 90 days	28,287	34,441
Over 90 days	<u>79,858</u>	<u>87,122</u>
	274,024	293,676
Less: Provision for impairment	<u>(46,157)</u>	<u>(52,712)</u>
	<u><u>227,867</u></u>	<u><u>240,964</u></u>

13 Trade and other payables

	2020 HK\$'000	2019 HK\$'000
Trade payables	139,728	134,229
Other payables and accruals	325,775	299,566
Contract liabilities	110,101	132,308
	<u>575,604</u>	<u>566,103</u>

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

As at 31 December 2020 and 2019, the ageing analyses of the Group's trade payables, based on terms specified in the contracts governing the relevant transactions, were as follows:

	2020 HK\$'000	2019 HK\$'000
Current	60,714	64,878
31 – 60 days	9,051	7,219
61 – 90 days	9,256	5,192
Over 90 days	60,707	56,940
	<u>139,728</u>	<u>134,229</u>

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 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 throughout the year ended 31 December 2020, save and except Code Provision A.5 which is with respect to the nomination committee.

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, through which decisions are efficiently formulated based on a balance of skill set, experience, expertise and diversity of perspectives. The Board from time to time reviews benefits of establishing a nomination committee for the Company and will establish a nomination committee when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills, experience and expertise 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 regarding their securities transactions throughout their tenure during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2020, 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 year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 May 2021 to Monday, 10 May 2021, both days inclusive, during which period no transfer of shares will be effected, to determine shareholders' entitlement to attend and vote at the 2021 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Tuesday, 4 May 2021.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Monday, 10 May 2021. Notice of the 2021 Annual General Meeting will be published and issued to shareholders in due course.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained in this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

DEFINITIONS

“Associates”	has the meaning ascribed to it in the Listing Rules
“B2B”	means business-to-business
“B2C”	means business-to-consumer
“Board”	means the board of Directors
“China Post”	means China Post Group Corporation Limited, a state-owned enterprise of the People’s Republic of China, and its subsidiaries (its subsidiary Telpo Philatelic Company Limited is the entity that is the shareholder of Ule)
“CKH”	means Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose listing status on the Stock Exchange was replaced by CKHH on 18 March 2015
“CKHH”	means CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange on 18 March 2015 (Stock Code: 0001)
“Company” or “TOM”	means TOM Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2383)
“Corporate Governance Code”	means the Corporate Governance Code sets out in Appendix 14 to the Listing Rules
“COVID-19”	means the infectious disease caused by a newly discovered coronavirus
“Director(s)”	means the director(s) of the Company
“ESG”	means environmental, social and governance
“GMV”	means Gross Merchandise Value, the total value of all orders handled or processed through Ule Group’s platform which includes multiple websites, mobile applications and PC applications, regardless of whether the orders are consummated, goods and services returned or not
“Group” or “TOM Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

“HWL”	means Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares ceased to be listed on the Stock Exchange on 3 June 2015
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the main board of the Stock Exchange
“Mainland China”	means for the purpose of the segment differentiation of this announcement, the People’s Republic of China, excluding coverage of Hong Kong, Macau Special Administrative Region and Taiwan region
“Media Business”	means two reportable operating segments of Publishing Group and Advertising Group
“MioTech”	means Mioying Holdings Inc., a company incorporated in the Cayman Islands with limited liability
“Model Code”	means Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Technology Platform and Investments”	means three reportable operating segments of E-Commerce Group, Social Network Group and Mobile Internet Group; and investments in Fintech and Advanced Data Analytics sectors
“Ule” or “Ule Group”	means Ule Holdings Limited or Ule Holdings Limited and its subsidiaries, a material associate of the Company which undertakes an e-commerce/new retail business in Mainland China and from time to time raises funds for its growing business
“WeLab”	means WeLab Holdings Limited, a BVI business company incorporated in the British Virgin Islands with limited liability

To the extent that there are any inconsistencies between the English version and the Chinese version of this announcement, the English version shall prevail.

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

Executive Director:

Mr. Yeung Kwok Mung

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Angelina Lee

*Independent Non-executive
Directors:*

Mr. James Sha

Dr. Alex Fong

Mr. Chan Tze Leung

Alternate Director:

Mr. Dominic Lai

(Alternate to Mr. Frank Sixt)