Annual Report 2019

TOM Group Limited

Incorporated in the Cayman Islands with Limited Liability

(Stock Code: 2383)

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Disclaimer

If there is any inconsistency or conflict between the English and the Chinese versions, the English version shall prevail.

Corporate Information

Board of Directors
Chairman
Frank John Sixt

Executive Director
Yeung Kwok Mung

Non-executive Directors
Chang Pui Vee, Debbie
Lee Pui Ling, Angelina

Independent Non-executive Directors
Cheong Ying Chew, Henry*
James Sha
Ip Yuk-keung, Albert
Fong Chi Wai, Alex**

Alternate Director
Lai Kai Ming, Dominic
(Alternate to Frank John Sixt)

Company Secretary
Man Tak Cheung

Authorised Representatives
Yeung Kwok Mung
Man Tak Cheung

Audit Committee
Ip Yuk-keung, Albert***
(Committee Chairman)
James Sha
Lee Pui Ling, Angelina
Fong Chi Wai, Alex**
Cheong Ying Chew, Henry*

Remuneration Committee
Fong Chi Wai, Alex**
(Committee Chairman)
Frank John Sixt
Ip Yuk-keung, Albert
Cheong Ying Chew, Henry*
Lai Kai Ming, Dominic
(Alternate to Frank John Sixt)

Auditor
PricewaterhouseCoopers
(Certified Public Accountants and Registered PIE Auditor)

Registered Office
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business
Rooms 1601-05, 16/F.
China Resources Building
26 Harbour Road
Wanchai
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Principal Share Registrar
Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
Citibank, N.A., Hong Kong Branch
United Overseas Bank Limited
Bank of America, N.A.
Hang Seng Bank Limited

Website Address
www.tomgroup.com

Stock Code
2383

* *Mr. Cheong Ying Chew, Henry resigned as Independent Non-executive Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee on 31 December 2019*
** *Dr. Fong Chi Wai, Alex was appointed as Independent Non-executive Director, member of the Audit Committee and Chairman of the Remuneration Committee on 31 December 2019*
*** *Mr. Ip Yuk-keung, Albert was appointed as Chairman of the Audit Committee on 31 December 2019*

Corporate Profile and Financial Highlights

TOM Group Limited (stock code: 2383) is a technology and media company listed on the Main Board of the Stock Exchange of Hong Kong. TOM Group has technology operations in E-Commerce, Social Network, Mobile Internet; and investments in Fintech and Advanced Data Analytics sectors. In addition, its media businesses cover both publishing and advertising segments. Headquartered in Hong Kong, the Group has regional headquarters in Beijing and Taipei with approximately 1,400 employees. TOM Group is a member of CK Hutchison Holdings Limited.

For the year ended 31 December

In HK$ Thousands	**2019**	2018	2017	2016	2015 (Restated)#
Results					
Revenue from continuing operations					
Technology Platform and Investments					
E-Commerce	**9,038**	9,299	8,893	4,947	9,537
Mobile Internet	**16,217**	19,267	21,196	24,894	38,477
Social Network	**71,492**	73,143	75,995	69,113	47,187
	96,747	101,709	106,084	98,954	95,201
Media Business					
Publishing	**772,079**	784,552	763,106	787,046	864,185
Advertising	**47,289**	57,824	91,323	148,606	291,909
	819,368	842,376	854,429	935,652	1,156,094
Total	**916,115**	944,085	960,513	1,034,606	1,251,295
Loss before net finance costs and taxation from continuing operations	**(91,028)**	(88,597)	(185,516)	(183,992)	(110,664)
Loss attributable to equity holders of the Company (including discontinued operations)	**(197,281)**	(158,623)	(242,274)	(276,561)	(214,474)
Financial Position					
Total assets	**3,998,551**	3,571,891	3,557,171	3,181,700	3,506,859
Total liabilities	**(3,821,667)**	(3,571,382)	(3,479,687)	(3,281,672)	(3,266,196)
Total equity/(deficit)	**176,884**	509	77,484	(99,972)	240,663

In 2016, the Group had re-organised the 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. By the end of 2016, the Group has ceased the television operations mainly engaged in advertising sales in relation to satellite television channel operations and production of broadcasting programmes. The consolidated financial information for 2015 had been restated accordingly.

Chairman's Statement

In 2019, TOM Group continued 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. Gross revenues from Technology Platform and Investments and Media businesses amounted to HK$98 million and HK$820 million respectively. The Group's consolidated revenue dropped by 3% to HK$916 million. Loss before net finance costs and taxation and loss attributable to shareholders were HK$91 million and HK$197 million respectively.

Ule (www.ule.com), a joint operation with China Post which focuses on providing e-commerce/new retail services in rural areas of Mainland China, has continued to expand its B2B businesses to drive revenue. The B2B GMV recorded RMB10.4 billion for the year under review, representing an increase of 36% compared to RMB7.6 billion in last year. It is expected that Ule will embark on sustainable growth in the coming years as the business is benefiting from the Chinese government's policies directed towards stimulating rural consumption.

Pixnet, the Group's Social Network business, continues to be the largest social and networking website in Taiwan according to Alexa, having reached about 7 million members and an average of around 5 million unique visitors per day during the year. Gross revenue of Pixnet was HK$73 million and segment profit increased from HK$2 million to HK$3 million for the year under review.

As a the 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$58 million, representing an increase of 8% compared to HK$54 million in last year. The traditional publishing market in Taiwan remains to be challenging and the Group will continue to improve operational efficiency while pursuing revenue diversification.

Finally, the Group made progress this year in restructuring non-performing Outdoor Media advertising businesses. Although the gross revenue of Outdoor Media business decreased by 11%, its segment loss was narrowed by 95% to HK$0.2 million this year.

I would like to take this opportunity to thank our shareholders, partners and all the staff of the Group for their concerted effort.

Frank John Sixt
Chairman

Hong Kong, 12 March 2020

BUSINESS REVIEW

In 2019, TOM Group continued its focus on rationalising operations and harnessing digital innovation in its media businesses, and at the same time, has strategically invested in technology-centric sectors to drive long term growth. During the reporting period, our operating subsidiaries delivered stable business performance. Against a backdrop of heightened economic uncertainties in the Greater China region, our Media Business demonstrated strong resilience and recorded a gross revenue of HK$820 million with operation segment profit increasing by 11% to HK$55 million. Gross revenue for the Group's Technology Platform and Investments was HK$98 million and segment loss narrowed by 80% to HK$0.8 million.

Technology Platform and Investments

The Group is pleased with the development of its technology businesses as well as investments in fintech and AI companies during the review period.

Ule, the Group's E-Commerce joint operation with China Post, continued its development in rural New Retail and associated B2B business during the review period. By the end of 2019, there were around 600,000 B2B retail outlets on Ule's platform and B2B GMV reached RMB10.4 billion. Going forward, Ule will accelerate its expansion on New Retail business in rural China by working closely with China Post and Postal Savings Bank of China, and leveraging on their resources and expertise in supply chain management and banking/finance to further enhance service offerings for rural outlets.

Pixnet is the Group's Social Networking technology platform in Taiwan, with approximately 7 million members and an average of around 5 million unique visitors per day. Gross revenue was HK$73 million and segment profit increased 67% to HK$3 million during the review period. Pixnet continues to be the largest community website in Taiwan.

In 2014, TOM Group invested in WeLab, a leading Asian fintech company and one of the first virtual banks established in Hong Kong. Using its proprietary risk management technology, WeLab analyses unstructured mobile big data to provide consumer financing solutions to over 42 million individual customers in China, Hong Kong and Indonesia, and offers fintech-enabled B2B solutions to over 300 enterprise customers. In April 2019, WeLab was granted a virtual banking license by the Hong Kong Monetary Authority (HKMA), becoming the first homegrown Hong Kong fintech company to obtain a virtual banking license. In December 2019, WeLab completed their Series C strategic financing, raising US$156 million (equivalent to over HK$1.2 billion). As at 31 December 2019, TOM Group owns 8.26% in WeLab on an issued basis.

Rubikloud is a Toronto-based AI platform for retail which TOM Group invested in 2015. During the review period, Rubikloud continued to expand its operations from Toronto to London and Hong Kong. In the last two quarters, Rubikloud has experienced a 100% growth in pipeline and trial activity from the New Vertical CPG (Consumer Packaged Goods) market. Additionally, Rubikloud has concluded significant partnerships with Microsoft, Salesforce and Google Cloud. TOM Group owns 4.13% in Rubikloud as at 31 December 2019 on an issued basis.

Media Business

As a market leader in the publishing industry in Taiwan, Cite, the Group's Publishing business, maintained its leadership position and delivered solid business results during the review period. Gross revenue was HK$772 million and segment profit increased 8% to HK$58 million amidst a difficult operating environment in the traditional publishing market. Going forward, *Business Weekly,* the Group's flagship brand with premium content, will drive its next stage of growth by accelerating efforts in digital initiatives and developing new product and service offerings to expand revenue streams.

During the review period, the Group's traditional Advertising business continued its restructuring efforts and further narrowed its losses by 23%.

For the year ended 31 December 2019, the Group broadly maintained its revenue level from operations and recorded a revenue of HK$916 million with a gross profit margin of 42%. Including share of operating loss from associated companies of HK$107 million, as well as net finance costs and taxation of HK$105 million, the Group's loss attributable to shareholders was HK$197 million.

Going forward, TOM Group will continue to strategically invest in technology-centric sectors to capture synergies with its existing businesses, and remain committed to creating 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

Consolidated revenue amounted to HK$916 million, representing a decrease of 3% compared to last year as a result of non-performing operations such as traditional advertising business in Mainland China.

Segment Results

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

The Group stays with its strategy to focus on investing in the 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.

Although the Mobile Internet Group reported a 16% drop in gross revenue to HK$16 million, segment profit was increased by 35% to HK$2 million in this year as a result of improved operational efficiency.

The Social Network Group, represented by Pixnet, continued to be the largest social and networking website in Taiwan for the year. Gross revenue was reported at HK$73 million, a 2% decrease from last year. The segment profit is HK$3 million, a 67% year-on-year increase, resulted from the improving effectiveness in operation.

The Publishing Group maintained its market leader position in the publishing industry in Taiwan. Notwithstanding the challenging business environment in Taiwan, the Publishing Group outperformed the market by recording gross revenue of HK$772 million and segment profit of HK$58 million in this year representing an encouraging growth of 8%.

The Advertising Group recorded a gross revenue of HK$48 million in 2019, representing a decrease of 19%. It was primarily attributable to the weakening traditional advertising market in Mainland China. Nevertheless, the segment loss narrowed by 23% to HK$3 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$91 million, increased by 3% from last year. Excluding the effect on one-off events such as gain on dilution of shareholding in associated companies, gain on deconsolidation of subsidiaries and provision of impairment on goodwill, the recurring loss before finance costs and taxation was HK$111 million, increased by 20% from that of last year's HK$92 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$197 million, increased by 24% from last year's HK$159 million. The increase was mainly attributable to the share of result of Ule and the increased net finance costs.

Liquidity and Financial Resources

As at 31 December 2019, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK$372 million. A total of HK$3,902 million financing facilities were available, of which HK$3,174 million, or 81%, had been utilised as at 31 December 2019, to finance the Group's investment, capital expenditures and for working capital purposes.

In December 2019, the Group had successfully executed a 3-year loan facility in Hong Kong with 8 banks amounting to HK$3,700 million to refinance the existing HK$3,200 million syndicated loan facility in full. The principal of the total borrowings of TOM Group amounted to approximately HK$3,174 million as at 31 December 2019, of which HK$3,050 million and HK$124 million equivalent are denominated in Hong Kong dollar and New Taiwan dollar respectively. The borrowings included long-term bank loans of approximately HK$3,135 million (including portion repayable within one year), and short-term bank loans of approximately HK$39 million. All bank loans bore floating interest rates. The gearing ratio (Total principal amount of bank borrowings/(Total principal amount of bank borrowings + Equity)) of TOM Group was 95% as at 31 December 2019, compared to 100% as at 31 December 2018.

As at 31 December 2019, the Group had net current assets of approximately HK$320 million, compared to the balance of approximately HK$357 million as at 31 December 2018. The current ratio (Current assets/Current liabilities) of TOM Group was 1.49 as at 31 December 2019, compared to 1.52 as at 31 December 2018. The net assets were approximately HK$177 million as at 31 December 2019, compared to HK$0.5 million as at 31 December 2018. The increase was mainly attributable to the increase in revaluation surplus of financial assets at fair value through other comprehensive income, such as investment in WeLab.

In 2019, net cash generated from operating activities after interest and taxation paid increased by 33% to HK$80 million. Net cash outflow used in investing activities was HK$262 million, mainly included shareholder's loan to an associated company of HK$138 million, capital expenditures of HK$126 million, and cash and bank balances of subsidiaries disposed, net of sales proceeds, of HK$2 million; partially offset by dividends received of HK$4 million. During the year, net cash inflow from financing activities amounted to HK$169 million, mainly from the drawdown of bank loans, net of repayment, of HK$235 million, partially offset by lease principal payment of HK$32 million, payment of loan arrangement fee of HK$27 million and dividends paid to non-controlling interests of subsidiaries of HK$5 million. The convertible loan to Ule amounting to RMB155 million, which had been granted in 2014, was expired during the year and extended for a further 3 years period on terms that are substantially the same as the previous arrangement. As a result, no cashflow effect was aroused from the expiry of the convertible loan.

Financial Asset at Fair Value through Profit or Loss

On 10 May 2019, the Group entered into a shareholders loan arrangement with Ule to grant a shareholder loan of approximately US$18 million (the "Facility") at an interest per annum of 2.0% over 3-month Hong Kong Interbank Offered Rate. The Facility is expiring in two years and the Group has an option to demand early repayment from Ule commencing from six months after the first drawdown of the Facility by way of a transfer of the charged unlisted equity instruments to the Group. Accordingly, the Group exercised the option in November 2019 and Ule repaid the loan by way of transfer of collateral unlisted equity instrument to the Group.

During the year, the fair value movement amounted to HK$84 million to the Facility recognised in the Group under "Fair value gain on financial asset at fair value through profit or loss" and the Group's share of Ule's fair value movement on the Facility amounted to HK$84 million recognised under "Share of fair value losses on financial liabilities at fair value through profit or loss" using the equity method.

Charges on Group Assets

As at 31 December 2019, the Group had restricted cash amounting to HK$8 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, and also the courts for legal proceedings in Mainland China.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Significant Investments

As at 31 December 2019, details of significant investments (with individual investment value of 5 per cent or more of the Group's total assets) held by the Group were set out as follows:

Nature of investments	Number of shares held by the Group	Interests held on issued basis	Investment cost HK$	Carrying value HK$	Total assets of the Group HK$	Carrying value to total assets of the Group
(i) Ule						
– Ordinary shares	425,086,000					
– Preferred shares	12,224,730					
Total	437,310,730	42.00%	94,251,000	1,181,694,000	3,998,551,000	29.6%
(ii) WeLab						
– Preferred shares	3,769,357	8.26%	256,336,000	837,340,000	3,998,551,000	20.9%

(i) Investment in Ule

The Group recorded investment in Ule as "Investment accounted for using the equity method". The principal business of Ule is investment holding. The subsidiaries of Ule principally undertake an e-commerce/new retail business which focuses on owning and operating the mobile and internet-based e-marketplaces in rural areas of Mainland China.

During the year ended 31 December 2019, share of unrealised gain of HK$104,970,000 on revaluation of the investment, gain on dilution of shareholding in associated companies of HK$26,320,000 have been recorded by the Group for its investment in Ule. The share of operating losses and share of fair value losses on financial liabilities at fair value through profit or loss for the Group's investment in Ule, and fair value gain on financial asset at fair value through profit or loss for the Group's facility granted to Ule were HK$108,718,000, HK$84,287,000 and HK$84,287,000 respectively.

No dividend has been received from the investment in Ule during the year ended 31 December 2019. The investment in Ule represents an opportunity to sustainable growth of the Group and to continue its business strategy of becoming a leading investor in the e-commerce/new retail business in rural areas of Mainland China.

(ii) Investment in WeLab

The Group recorded investment in WeLab as "Financial asset at fair value through other comprehensive income". WeLab is a leading Asian fintech company and one of the first virtual banks established in Hong Kong.

During the year ended 31 December 2019, unrealised gain of HK$284,653,000 on revaluation of the investment in WeLab has been recorded by the Group. No realised gain or dividend has been received from this investment. The Group believe that the investment in WeLab will create synergies with the Group's other technology related businesses.

The above significant investments are in line with the Group's strategy to focus on high growth potential sectors such as e-commerce/new retail, fintech and advanced data analytics.

Subsequent Events

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which this 2019 Annual Report is authorised for issue.

Except for the above, 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 2019, TOM Group had approximately 1,400 full-time employees (excluding approximately 600 full-time employees of Ule, an associated company of TOM). Employee costs, excluding Directors' emoluments, amounting to HK$348 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 this 2019 Annual Report.

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this 2019 Annual Report 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 2019 Annual Report 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 2019 Annual Report; 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.

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, gain on deconsolidation of subsidiaries and provision for impairment of goodwill, 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.

Frank John Sixt

aged 68, has been a Non-executive Director and the Chairman of the Company since 15 December 1999 and is a member of the Remuneration Committee of the Company. He is also an executive director, group finance director and deputy managing director of CKHH, an executive director of CK Infrastructure Holdings Limited ("CKI"), a director of Hutchison Telecommunications (Australia) Limited ("HTAL") and Husky Energy Inc., and alternate director of HTAL and HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Sixt holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Yeung Kwok Mung

aged 55, has been the Chief Executive Officer and an Executive Director of the Company since 26 March 2008. Prior to joining the Company, he was a director and chief executive officer of Horizons Ventures Limited and ChinaCare Investments Holdings Limited respectively, these companies are controlled by Ms. Chau Hoi Shuen and Cranwood Company Limited, the substantial shareholders of the Company within the meaning of Part XV of the SFO. Prior to that, Mr. Yeung worked at Mckinsey & Company, Inc. for over 6 years in Sydney, Melbourne and Hong Kong covering mainly the telecommunications, electronics and e-commerce industry sectors in the area of business strategy, business re-engineering and operational improvements. Mr. Yeung worked for Coca-Cola China Limited as director of Strategy for Coca-Cola Greater China. He also held management positions in business development and sales & marketing at General Electric. He holds a Bachelor of Science degree in Electrical Engineering and a Master of Science degree in Electrical Engineering and Computer Science from Massachusetts Institute of Technology.

Chang Pui Vee, Debbie

aged 69, has been a Non-executive Director of the Company since 5 October 1999. She holds a Bachelor of Arts degree from Hunter College, New York City. She has been directing business development in Mainland China for a number of years. She was a member of the People's Consultative Party of Beijing, Eastern City District and had served as a director of Beijing Oriental Plaza Company Limited. She is a director of Cranwood Company Limited, Schumann International Limited and Handel International Limited, which are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Cheong Ying Chew, Henry

aged 72, was an Independent Non-executive Director of the Company from 21 January 2000 to 31 December 2019. He was also the Chairman of the Audit Committee and the Chairman of the Remuneration Committee of the Company. He resigned as an Independent Non-executive Director, the Chairman of the Audit Committee and the Chairman of the Remuneration Committee of the Company on 31 December 2019 due to his wish to have a more relaxed pace of life. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is an independent non-executive director of CK Asset Holdings Limited, CKI, New World Department Store China Limited and Skyworth Digital Holdings Limited, and up to 31 December 2019, he was an independent non-executive director of CNNC International Limited, Greenland Hong Kong Holdings Limited, and Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), and alternate director of HTHKH, all of the aforesaid companies are listed in Hong Kong. He is also an independent director of BTS Group Holdings Public Company Limited, a company listed in Thailand, and an executive director and the deputy chairman of Worldsec Limited, a company listed in London.

Lee Pui Ling, Angelina

aged 71, was appointed as an Independent Non-executive Director of the Company on 28 January 2000. She has been re-designated as a Non-executive Director of the Company with effect from 4 August 2004 and is a member of the Audit Committee of the Company. She is also a non-executive director of CKI and Henderson Land Development Company Limited, and an independent non-executive director of Great Eagle Holdings Limited. She was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a non-executive director of the Securities and Futures Commission and a non-executive director of the Mandatory Provident Fund Schemes Authority. She is a practising solicitor, has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales.

James Sha

aged 69, was appointed as a Non-executive Director of the Company on 12 May 2000. He has been re-designated as an Independent Non-executive Director of the Company with effect from 4 August 2004. He is also a member of the Audit Committee of the Company. He has held senior positions with a number of large Internet-related companies. Since November 1999, he has been a managing partner with Spring Creek Ventures, a partnership specialising in early stage venture investment and business consultation with Internet and infrastructure companies. He is currently serving on the board of directors of several start-up companies. His board memberships include Appstream, Armorize, E21, LiveABC, Optoplex and Mediostream. He also served as the chief executive officer for Sina.com. Prior to that, he was the senior vice president, Commerce Solutions, at Netscape Communications. He has also held senior positions with Actra Business Systems, Oracle's UNIX Product Division and the Advanced Systems Division of Wyse Technology. He holds a Master of Science degree in Electronic Engineering and Computer Science from the University of California, Berkeley, a Master of Business degree from Santa Clara University and a Bachelor of Science degree in Electronic Engineering from Taiwan University.

Ip Yuk-keung, Albert
aged 67, has been an Independent Non-executive Director of the Company since 24 June 2013. He was a member of the Audit Committee of the Company from 24 June 2013 to 31 December 2019 and has been appointed as the Chairman of the Audit Committee of the Company since 31 December 2019. He is also a member of the Remuneration Committee of the Company. Mr. Ip is an international banking executive with over 30 years of experience in the United States, Asia and Hong Kong. He was a Real Estate Senior Credit Officer of Citibank since 1989, providing credit initial for approvals of real estate loans originated in Hong Kong and was also involved in financing the acquisition of various hotel assets internationally. He was North Asia Real Estate Head, Hong Kong Corporate Bank Head, Transaction Banking Head – Hong Kong and Asia Investment Finance Head (Global Wealth Management) of Citigroup. He was formerly a Managing Director of Citigroup and Managing Director of Investments in Merrill Lynch (Asia Pacific). Mr. Ip was an executive director and chief executive officer of LHIL Manager Limited (Trustee-manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited (stock code: 1270). Mr. Ip is a non-executive director of the manager of the publicly listed trust, Champion Real Estate Investment Trust (stock code: 2778). He is also an independent non-executive director of Lifestyle International Holdings Limited (stock code: 1212), Power Assets Holdings Limited (stock code: 6), New World Development Company Limited (stock code: 17) and HTHKH (stock code: 215), all of which are listed on the Main Board of the Stock Exchange. He was previously an independent non-executive director of Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited in June 2019) (stock code: 737) and Hopewell Holdings Limited.

With a passion to serve in education, Mr. Ip is an Adjunct Professor of City University of Hong Kong, The Hang Seng University of Hong Kong, Hong Kong University of Science and Technology, The Chinese University of Hong Kong; Professor of Practice (International Banking and Real Estate) of The Hong Kong Polytechnic University and Adjunct Distinguished Professor in Practice at the University of Macau. He is an Honorary Professor of Lingnan University and an Honorary Advisor of School of Humanities and Social Science and a Council Member of The Hong Kong University of Science and Technology. He is also a Member of the International Advisory Committee at University of Macau and a Trustee of the Board of Trustee at Washington University in St. Louis. He was previously a Member of the Committee on Certification for Principalship (CCFP) of Education Bureau of Hong Kong. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude), and Master of Science degrees at Cornell University and Carnegie-Mellon University. He was an MBA lecturer at University of Pittsburgh, USA. Mr. Ip is an Honorary Fellow of Vocational Training Council and Vice Chairman of World Green Organisation Limited.

Fong Chi Wai, Alex

aged 63, has been an Independent Non-executive Director of the Company since 31 December 2019. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Dr. Fong was the chief executive officer of Hong Kong General Chamber of Commerce (the "Chamber") from 2006 to 2011. Prior to joining the Chamber, he served in the civil service for over 25 years, holding various senior positions in the Government of Hong Kong. Dr. Fong has a long record of public service providing both operational and policy-formulation expertise. Dr. Fong has been appointed as an independent non-executive director of HK Electric Investments and HK Electric Investments Limited, a company listed on Main Board of the Stock Exchange (stock code: 2638), since December 2013. Dr. Fong is currently a director of HK Electric Investments Manager Limited and a director of The Hongkong Electric Company, Limited. Dr. Fong has been an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited, a company listed on the Growth Enterprise Market Board of the Stock Exchange (stock code: 8159) and Hutchison Port Holdings Management Pte. Limited, since January 2019 and February 2020 respectively. He was an independent non-executive director of Power Assets Holdings Ltd., a company listed on the Stock Exchange (stock code: 6) and a substantial holder of Share Stapled Units for the purpose of Part XV of the SFO, from December 2012 to January 2014.

Dr. Fong received a Bachelor of Social Science degree in Business and Economics from the University of Hong Kong in November 1978, a Master of Technology Management degree in Global Logistics Management from the Hong Kong University of Science and Technology in April 2007, a Master of Science degree in Global Finance from the New York University/Hong Kong University of Science and Technology in May 2009, and a Doctor of Business Administration degree from the City University of Hong Kong in October 2017.

Lai Kai Ming, Dominic

aged 66, has been an Alternate Director to Mr. Frank John Sixt (Chairman) since 1 August 2016 and is an alternate to Mr. Frank Sixt, a member of the Remuneration Committee of the Company. He is an executive director and deputy managing director of CKHH, a non-executive director of HTHKH, a director of HTAL and a member of the Board of Commissioners of PT Duta Intidaya Tbk. He is also an alternate director of HTHKH and HTAL and a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Lai has over 35 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

Change in Other Information of Directors

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2019 Interim Report of the Company are set out below:

Name of Director	Details of the Changes
Cheong Ying Chew, Henry*	Resigned as independent non-executive director of CNNC International Limited on 31 December 2019
	Resigned as independent non-executive director of Greenland Hong Kong Holdings Limited on 31 December 2019
	Resigned as independent non-executive director and alternate director of Hutchison Telecommunications Hong Kong Holdings Limited on 31 December 2019
Ip Yuk-keung, Albert**	Appointed as Honorary Advisor of School of Humanities and Social Science of the Hong Kong University of Science and Technology on 10 September 2019
	Appointed as independent non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited on 31 December 2019
	Ceased to be a Member of the Committee on Certification for Principalship (CCFP) of Education Bureau of Hong Kong on 31 December 2019

* *Resigned as Independent Non-executive Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee of the Company on 31 December 2019*

** *Acted as member of the Audit Committee of the Company from 24 June 2013 to 31 December 2019 and appointed as Chairman of the Audit Committee of the Company on 31 December 2019*

Dr. Fong Chi Wai, Alex was appointed as Independent Non-executive Director, member of the Audit Committee and Chairman of the Remuneration Committee of the Company on 31 December 2019. His biographical details are set out in the "Directors' Profile" section on page 16.

The Board has pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associated companies are set out on pages 186 to 190.

An analysis of the Group's performance for the year by operating and geographical segments is set out in the section headed "Management's Discussion and Analysis" on pages 5 to 12 and note 4 to the consolidated financial statements.

Results and appropriations

The results for the year are set out in the consolidated income statement on page 83.

The Board does not recommend the payment of a dividend.

Business review

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Management's Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" on pages 5 to 12, pages 32 to 52 and pages 53 to 72 respectively.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 38(b) to the consolidated financial statements respectively.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 13 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 31 to the consolidated financial statements.

Directors

The Directors who held office during the year and up to the date of this report were:

Mr. Frank John Sixt* *(Chairman)*
Mr. Yeung Kwok Mung *(Chief Executive Officer)*
Ms. Chang Pui Vee, Debbie*
Mr. Cheong Ying Chew, Henry# (Resigned on 31 December 2019)
Mrs. Lee Pui Ling, Angelina*
Mr. James Sha#
Mr. Ip Yuk-keung, Albert#
Dr. Fong Chi Wai, Alex# (Appointed on 31 December 2019)
Mr. Lai Kai Ming, Dominic + *(Alternate Director to Mr. Frank John Sixt)*

* *Non-executive Director*
\# *Independent Non-executive Director*
\+ *Alternate Director*

In accordance with Article 99 of the Company's Articles of Association, Dr. Fong Chi Wai, Alex who has been appointed as an Independent Non-executive Director by the Board on 31 December 2019 will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Yeung Kwok Mung, Mr. James Sha and Mr. Ip Yuk-keung, Albert, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of service with the Company for a term of 12-month ("Term"). The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the Term. All Directors (except Alternate Director) are subject to retirement by rotation at annual general meetings at least once every three years and, being eligible, offer themselves for re-election.

Directors' service contracts

None of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company has entered into any service contract with any member of the Group (which is not determinable by the Company within one year without payment of compensation (other than statutory compensation)).

Confirmation of independence of Independent Non-executive Directors

The Company has received from each of Mr. James Sha, Mr. Ip Yuk-keung, Albert and Dr. Fong Chi Wai, Alex an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the Independent Non-executive Directors to be independent. The Company has also received from Mr. Cheong Ying Chew, Henry, who resigned on 31 December 2019, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers him to be independent for the year ended 31 December 2019.

Directors' profile

The Directors' profile is set out on pages 13 to 17.

Directors' emoluments

Details of the Directors' emoluments are set out in note 39(a) to the consolidated financial statements.

Share option scheme

The Company has no share option scheme as at the date of this report.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2019, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

		Number of shares of the Company					
Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of shareholding
Frank John Sixt	Beneficial owner	492,000	–	–	–	492,000	0.01%
Yeung Kwok Mung	Interest of spouse	–	30,000	–	–	30,000	Below 0.01%

Save as disclosed above, as at 31 December 2019, none of the Directors or Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial shareholders

As at 31 December 2019, the persons or corporations (not being a Director or Chief Executive) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
CKHH	Interest of controlled corporations	1,430,120,545 (L) *(Notes 1, 2 & 3)*	36.13%
CKH	Interest of controlled corporations	1,430,120,545 (L) *(Notes 1, 2 & 3)*	36.13%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) *(Note 1)*	12.03%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) *(Note 1)*	12.03%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) *(Note 1)*	12.03%
Romefield Limited	Beneficial owner	476,341,182 (L) *(Note 1)*	12.03%
CK Hutchison Global Investments Limited	Interest of controlled corporations	952,683,363 (L) *(Note 2)*	24.07%
HWL	Interest of controlled corporations	952,683,363 (L) *(Note 2)*	24.07%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) *(Note 2)*	24.07%
Easterhouse Limited	Beneficial owner	952,683,363 (L) *(Note 2)*	24.07%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Chau Hoi Shuen	Interest of controlled corporations	1,003,432,363 (L) *(Notes 4, 5 & 6)*	25.35%
Composers International Limited	Interest of controlled corporations	1,003,432,363 (L) *(Notes 4, 5 & 6)*	25.35%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	995,078,363 (L) *(Notes 4 & 6)*	25.14%
Schumann International Limited	Beneficial owner	580,000,000 (L) *(Notes 4 & 6)*	14.65%
Handel International Limited	Beneficial owner	348,000,000 (L) *(Notes 4 & 6)*	8.79%
Lin Tian Maw	Beneficial owner, interest of child under 18 and/or spouse & interest of controlled corporations	526,518,000 (L)	13.30%

(L) denotes a long position

Notes:

(1) Romefield Limited is a wholly-owned subsidiary of Sunnylink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of CKH. CKH is a wholly-owned subsidiary of CKHH.

By virtue of the SFO, CKHH, CKH, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

(2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of HWL. HWL is a non wholly-owned subsidiary of CK Hutchison Global Investments Limited, which in turn is a wholly-owned subsidiary of CKHH. In addition, subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

By virtue of the SFO, CKHH, CKH, CK Hutchison Global Investments Limited, HWL and Hutchison International Limited are all deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

(3) A company Casaurina Investments Limited, an Associate of CKH, which in turn is a wholly-owned subsidiary of CKHH, holds 1,096,000 shares of the Company.

By virtue of the SFO, CKHH and CKH are all deemed to be interested in the 1,096,000 shares of the Company held by Casaurina Investments Limited.

(4) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited ("Cranwood Company Limited (Liberia)", incorporated in Liberia), which in turn is a wholly-owned subsidiary of Composers International Limited. Composers International Limited is wholly owned by Ms. Chau Hoi Shuen.

By virtue of the SFO, Ms. Chau Hoi Shuen, Composers International Limited and Cranwood Company Limited (Liberia) are all deemed to be interested in the 580,000,000 and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively. Also, Ms. Chau Hoi Shuen and Composers International Limited are all deemed to be interested in 67,078,363 shares of the Company held by Cranwood Company Limited (Liberia) directly.

(5) A company Cranwood Company Limited ("Cranwood Company Limited (BVI)", incorporated in British Virgin Islands), a wholly-owned subsidiary of Composers International Limited, which in turn is wholly owned by Ms. Chau Hoi Shuen, holds 8,354,000 shares of the Company.

By virtue of the SFO, Ms. Chau Hoi Shuen and Composers International Limited are all deemed to be interested in 8,354,000 shares of the Company held by Cranwood Company Limited (BVI) directly.

(6) Cranwood Company Limited (Liberia), Schumann International Limited, Handel International Limited and Cranwood Company Limited (BVI) have charged 67,078,363, 580,000,000, 348,000,000 and 8,354,000 shares of the Company respectively in favour of CKHH on 21 December 2015.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Connected transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2019 are disclosed in note 36 to the consolidated financial statements. The related party transactions which constitute connected transactions in the context of Listing Rules are summarised below.

Continuing connected transactions

(a) The Group will from time to time enter into with CKHH and its subsidiaries and such other companies in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings (other than the Group) or (ii) control the composition of a majority of the board of directors and such other companies' subsidiaries ("CKHH Group") transactions of a nature similar to the ongoing continuing connected transactions in relation to the provision of print, publishing, advertising and other services to the CKHH Group. On 20 December 2017, TOM Group International Limited ("TOM International") and Hutchison International Limited (a wholly-owned subsidiary of CKHH, which in turn is a substantial shareholder of the Company) entered into a services agreement for a term of three years commencing on 1 January 2018 and expiring on 31 December 2020 ("2018 Services Agreement"), subject to the annual caps of HK$5,000,000, HK$6,800,000 and HK$8,000,000 for the years 2018, 2019 and 2020 respectively. Please refer to the Company's announcement dated 20 December 2017 for further details.

During the year ended 31 December 2019, HK$414,000 has been paid or became payable by CKHH Group to the Group under the 2018 Services Agreement.

(b) On 4 December 2017, the Company entered into a facility agreement with six independent financial institutions ("2017 Facility Agreement"), pursuant to which the term and revolving loan facilities of up to an aggregate principal amount of HK$3,200 million ("2017 Facilities") are granted to the Company for a term of 3 years for the purposes of financing the general corporate funding requirements of the Group. It is a condition to the utilisation of the 2017 Facilities that CKHH guarantees 100% of the Company's obligations under the 2017 Facility Agreement pursuant to the terms of the relevant guarantee ("2017 CKHH Guarantee"). In consideration of CKHH agreeing to grant the 2017 CKHH Guarantee, a guarantee fee agreement was entered into between the Company and CKHH on 4 December 2017 in respect of the payment of a guarantee fee to CKHH by the Company ("2017 CKHH Guarantee Fee Agreement").

Pursuant to the 2017 CKHH Guarantee Fee Agreement, the Company agreed to pay an aggregate guarantee fee in an amount equivalent to 0.5% per annum of the aggregate principal amount outstanding under the 2017 Facility Agreement to CKHH payable quarterly in advance, subject to the annual caps of HK$1,300,000, HK$16,000,000, HK$16,000,000 and HK$15,000,000 for the years 2017, 2018, 2019 and 2020 respectively. Please refer to the Company's announcement dated 4 December 2017 for further details.

On 17 December 2019, the Company entered into a new facility agreement with eight independent financial institutions (the "New Facility Agreement"), pursuant to which the term and revolving loan facilities of up to an aggregate principal amount of HK$3,700 million (the "New Facilities") are granted to the Company for a term of 3 years for the purposes of financing the general corporate funding requirements of the Group. It is a condition to the utilisation of the New Facilities that CKHH guarantees 100% of the Company's obligations under the New Facility Agreement pursuant to the terms of the relevant guarantee ("New CKHH Guarantee"). In consideration of CKHH agreeing to grant the New CKHH Guarantee, a new guarantee fee agreement was entered into between the Company and CKHH on 17 December 2019 in respect of the payment of a guarantee fee to CKHH by the Company ("New CKHH Guarantee Fee Agreement").

Pursuant to the New CKHH Guarantee Fee Agreement, the Company agreed to pay an aggregate guarantee fee in an amount equivalent to 0.5% per annum of the aggregate principal amount outstanding under the New Facility Agreement to CKHH payable quarterly in advance upon the first drawdown (and on the date of each subsequent drawdown in respect of the increased outstanding principal amount), subject to the annual caps of HK$1,000,000, HK$19,000,000, HK$19,000,000 and HK$18,000,000 for the years 2019, 2020, 2021 and 2022 respectively. Please refer to the Company's announcement dated 17 December 2019 for further details.

During the year ended 31 December 2019, an aggregate amount of HK$14,396,000 and HK$209,000 as guarantee fee has been paid or became payable by the Company to CKHH under the 2017 CKHH Guarantee Fee Agreement and the New CKHH Guarantee Fee Agreement respectively.

(c) On 9 May 2019, Guangdong Yangcheng Advertising Company Limited ("Yangcheng Advertising") entered into an advertising agency agreement with Guangdong Yangcheng Evening News Advertising Company ("YCWB", an Associate of Yangcheng Evening News Economic Development Company, which owns 20% of the equity interest in Yangcheng Advertising) for a term of 3 years commencing from 1 January 2019 to 31 December 2021 ("Advertising Agency Agreement"). Pursuant to the Advertising Agency Agreement, YCWB agreed to extend the appointment of Yangcheng Advertising as its advertising agent in respect of the placing of advertisements in the newspaper known as "羊城晚報" (Yangcheng Evening News). Under the Advertising Agency Agreement, Yangcheng Advertising will enter into contracts with advertising customers who place advertisements on Yangcheng Evening News, collect Advertising Payment from such advertising customers and then pay YCWB the Net Advertising Payment. If the aggregate amount of the Net Advertising Payment reaches a certain pre-agreed amount, Yangcheng Advertising will be entitled to an incentive amount from YCWB, being a certain percentage of the aggregate amount of the Net Advertising Payment to be agreed in separate agreements between the parties based on the then market rate and the historical performance of Yangcheng Advertising.

The annual caps for the Net Advertising Payment are RMB8,000,000, RMB8,400,000 and RMB8,820,000 for the years 2019, 2020 and 2021 respectively. Please refer to the Company's announcement dated 9 May 2019 for further details.

During the year ended 31 December 2019, an aggregate amount of RMB3,036,000 as Net Advertising Payment has been paid or became payable by Yangcheng Advertising to YCWB.

"Advertising Payment" means advertising fees collected by Yangcheng Advertising from the advertising customer who advertises on Yangcheng Evening News for the years 2019 through to 2021.

"Net Advertising Payment" means Advertising Payment net of agency fees.

Since 1 January 2019 and up to 9 May 2019, the aggregate amount of Net Advertising Payment was approximately RMB853,000, which falls within the de minimis exemption under Rule 14A.76(1)(c) of the Listing Rules.

The aforesaid continuing connected transactions of the Group ("Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company has issued to the Board an unqualified letter with its following conclusions in relation to the Continuing Connected Transactions disclosed by the Group on pages 24 to 26 of the Annual Report: (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors; (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) with respect to the aggregate amount of each of the Continuing Connected Transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company. A copy of the auditor's said letter has been provided by the Company to the Stock Exchange.

Contractual Arrangements

During the year ended 31 December 2019, certain business activities of the Group such as advertising services, certain value-added telecommunications services and content production services which were initially/are categorised as restricted foreign investment businesses under the PRC laws and regulations ("Restricted Businesses") have been carried out by the Group (and certain of its associated companies) through Contractual Arrangements (as defined below). The Group has entered into a series of contractual agreements ("Contractual Agreements") with certain PRC nationals to control the relevant entities incorporated in the PRC ("PRC Domestic Companies") that carry out the Restricted Businesses, pursuant to which all economic benefits and risks arising from the business operation of such PRC Domestic Companies are transferred to the relevant subsidiaries of the Company ("Contractual Arrangements"). The identities of the principal PRC Domestic Companies that have the Contractual Agreements in place and the key provisions of the principal Contractual Agreements are set out in pages 189 to 190 (inclusive) of the consolidated financial statements.

Significance and financial contribution to the Group

The aggregate revenue and assets attributable to the Group generated through the Contractual Arrangements for 2019 represented about 5% and 6% of the Group's total revenue and total assets respectively.

Risks and mitigation relating to the Contractual Arrangements

Major risks associated with the Contractual Arrangements and measures taken to ensure the sound and effective implementation of the Contractual Arrangements are summarised below:

(i) Although the PRC legal advisors to the Company had expressed the view that the entering of the Contractual Arrangements is not in contravention of the relevant PRC laws and regulations, uncertainties however do exist regarding the interpretation and application of the PRC laws and regulations. If the PRC government determines that the Contractual Arrangements do not comply with the applicable laws and regulations of the PRC or issues further guidelines that impose stricter foreign ownership requirements in certain Restricted Businesses, the Group's relevant Restricted Businesses may be adversely affected. If that happens, the Company will seek other forms of contractual arrangements if then available to carry out the Restricted Businesses;

(ii) Under the option agreement of the Contractual Agreements, the relevant subsidiary of the Company ("Intermediate Holding Company") has the sole discretion to require the relevant PRC national to transfer his/her equity interest in the relevant PRC Domestic Company to it at the purchase price as set out in the relevant option agreement such as an amount being equal to the registered capital contributed by the relevant PRC national. The relevant PRC authorities may require the relevant PRC national to pay a substantial amount of individual income tax for the income from the ownership transfer which will be in turn borne by the Group if the purchase price is set below the market value. The exercise of the option to acquire the ownership of the PRC Domestic Companies may therefore be subject to substantial costs;

(iii) The PRC nationals being the shareholders of the PRC Domestic Companies may potentially have a conflict of interest with the Group and they may breach their contracts with the Group. If the Group fails to resolve this internally, it may have to resort to formal dispute resolution proceedings, which may be costly and time-consuming and which outcome is uncertain;

(iv) In the event of breach of any agreements under the Contractual Arrangements, the Group may be unable to enforce the Contractual Arrangements and the relevant Restricted Businesses conducted under the relevant PRC Domestic Companies with the relevant profit, if any, may be negatively affected;

(v) As part of the internal control measures, major issues arising from implementation of the Contractual Arrangements had been and will be reviewed by the management of the Group on a regular basis;

(vi) The relevant business units and operation divisions of the Group reported regularly to the management of the Group on the compliance and performance conditions under the Contractual Arrangements and other related matters; and

(vii) Legal advisors and/or other professionals had been and will continue to be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements.

Despite the above, the Company is of the view that the entering of the Contractual Arrangements is not in contravention of the PRC laws currently in force. The Company will continue to monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in the PRC Domestic Companies.

Material changes

Save as disclosed in the above, as at the date of the Annual Report, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding of Contractual Arrangements

The restriction on foreign investment in e-commerce operations under the category of online data processing and transaction processing businesses was removed as promulgated by the Ministry of Industry and Information Technology of the People's Republic of China in June 2015. The Group's e-commerce operations have undergone restructuring so that it is now operated by the Group's associated companies rather than through Contractual Arrangements. In addition, discussion will from time to time be made with certain business partners on the possibility of abandonment of or unwinding of Contractual Arrangements for certain less active business activities.

Equity-linked agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2019 or subsisted at the end of the year ended 31 December 2019.

Permitted indemnity provision

The Company's Articles of Association provides that every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings whether civil or criminal, in which judgment is given in his/her favour, or in which he is acquitted.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

Directors' interests in competing business

Mr. Frank John Sixt and Mr. Lai Kai Ming, Dominic, the Non-executive Chairman of the Company and an Alternate Director respectively, are executive directors of CKHH and directors of certain of its Associates (collectively referred to as "CKHH Group"). In addition, Mr. Frank John Sixt is an executive director of CKI and director of certain of its Associates (collectively referred to as "CKI Group"). Mr. Lai Kai Ming, Dominic is also a non-executive director and alternate director of HTHKH and director of certain of its Associates (collectively referred to as "HTHKH Group"). Mrs. Lee Pui Ling, Angelina, a Non-executive Director, is a non-executive director of CKI. CKHH Group is engaged in telecommunications, e-commerce, mobile Internet and information technology services. CKI Group is engaged in information technology, e-commerce or new technology where applicable. HTHKH Group operates mobile telecommunications services in Hong Kong and Macau. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Save as disclosed above, none of the Directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Major customers and suppliers

During the year ended 31 December 2019, the respective percentage of purchases attributable to the Group's five largest suppliers and the sales attributable to the Group's five largest customers, on a combined basis, was less than 30% of the total value of the Group's purchases and sales.

None of the Directors, their Associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's number of issued shares) had an interest in the major suppliers or customers noted above.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Subsequent events

Except the COVID-19 outbreak as disclosed in the Management's Discussion and Analysis on page 11, there are no major subsequent events occurring during the period from 1 January 2020 to the date of this annual report.

Purchase, sale or redemption of shares

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares. In addition, the Company has not redeemed any of its listed shares during the year.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Sufficiency of Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 12 March 2020

The Group is committed to high standards of corporate governance for the enhancement of shareholders' value and safeguarding interests of shareholders and other stakeholders. The Company believes that good corporate governance practices are in the interest of the Company as they are a reflection of the standard and quality of the management and operations of the Company and they also help sustain the long-term support of shareholders and stakeholders on which the Company's success is dependent upon.

The Group is committed to continuously improve these practices to instill an ethical corporate culture within the Group. The Company closely monitors corporate governance development in Hong Kong and overseas, and in line with this objective, it regularly reviews its corporate governance practices in light of experience and evolving regulatory requirements to ensure that the Company keeps abreast of shareholders' expectations. The principles of corporate governance adopted by the Group emphasise a quality Board, effective risk management, sound internal control, disclosure practices and transparency and accountability.

Corporate Governance Code ("Code")

The Company has complied with all the code provisions of the Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019, save and except Code Provisions A.5 and E.1.2 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, 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. Further details with respect to the nomination of directors are set out on pages 37 to 38.

The Chairman was unable to attend the annual general meeting held on 8 May 2019 due to other business engagement.

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 during the year ended 31 December 2019.

The Board

The Board is accountable to shareholders for the long-term performance of the Company. In that connection, it is responsible for directing the strategic objectives of the Company and overseeing the corporate governance and management of the business.

The Board, led by the Chairman, is responsible for the formulation of Group-wide strategies and policies, including an oversight of the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Executive Director. The Directors are charged with the task of promoting the success of the Group and making decisions in the best interests of the Group.

The Chairman's Statement, Report of the Directors and Management's Discussion and Analysis contain discussions and analyses of the Group's performance, the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objectives.

As at 31 December 2019, the Board comprised 7 Directors, including the Chairman (who is also a Non-executive Director), Chief Executive Officer, two Non-executive Directors and three Independent Non-executive Directors (but excludes one Alternate Director). At least one of the Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The Directors' biographical details and the relationship among the Directors (if any) are set out in the "Directors' Profile" section on pages 13 to 17 and on the website of the Company (www.tomgroup.com). Independent Non-executive Directors are identified in all corporate communications.

A list of Directors setting out their roles and functions is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements of the Listing Rules. The Board has made an assessment of the independence of all the Independent Non-executive Directors of the Company and considers them to be independent having taken into account (a) an annual confirmation of independence as required under the Listing Rules made by each of the Independent Non-executive Directors, and (b) the absence of involvement in the day-to-day management of the Company or circumstances which would interfere with the exercise of their independent judgement. The Company has fully complied with the Listing Rules requirement that at least one-third of the Board members should be Independent Non-executive Directors.

The position of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separate from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that it acts in the best interests of the Group and the Board meetings are planned and conducted effectively. The Chairman is primarily responsible for setting (with the assistance of the Company Secretary) and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the Directors and Company Secretary for inclusion in the agenda. With the support of Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and are able to receive adequate, sufficient and accurate relevant information in a timely manner. The Chairman promotes a culture of openness and also actively encourages Directors with different views to voice their concerns and to be fully engaged in the Board's affairs and contribute to the Board's functions. To this end, the Chairman holds meetings with the Independent Non-executive Directors at least annually without the presence of other Directors. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the Chief Executive Officer attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Chief Financial Officer and senior management of each business unit, he presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses of the Group are met and closely monitors the operating and financial results of the businesses against plans and budgets, and takes remedial actions if necessary. Moreover, the Chief Executive Officer maintains ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

Non-executive Directors (including Independent Non-executive Directors) are well aware of their functions and have been actively performing their functions including but not limited to bringing an independent judgement at the Board meetings, taking the lead where potential conflicts of interests arise and scrutinising the Company's performance. Non-executive Directors and Independent Non-executive Directors from time to time contribute to the Board their constructive and valuable advice in the development of the Company's strategy, in particular the internal controls of the Company. Non-executive Directors and Independent Non-executive Directors serve as members of Board Committee(s), details of which are set out in the subsections headed "Audit Committee" and "Remuneration Committee" below of this report.

The Board meets regularly, and at least 4 times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis, monthly updates and other information with respect to the activities and performances of the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of certain significant operational matter of the Company by way of circulating resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. In the event a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than by way of circulating resolutions. Independent Non-executive Directors who have no material interest in the transaction would be present at such Board meeting. In case of material or notifiable transactions of subsidiaries and associated companies, details of the same will be provided to the Directors as appropriate. Whenever warranted, additional Board meetings will be held. Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

These regular meetings and information, updates together with all other materials that the Directors receive from time to time provide sufficient background information enabling each and every Director to make informed decisions for the best interest of the Company.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration declares his interest and abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Board held 5 meetings in 2019 with 94.29% attendance.

The attendance records of the meetings held in 2019 are set out below:

Name of Director	Board Meetings	General Meeting
Chairman		
Mr. Frank John Sixt	5/5	0/1
Executive Director		
Mr. Yeung Kwok Mung *(Chief Executive Officer)*	5/5	1/1
Non-executive Directors		
Ms. Chang Pui Vee, Debbie	4/5	0/1
Mrs. Lee Pui Ling, Angelina	5/5	0/1
Independent Non-executive Directors		
Mr. Cheong Ying Chew, Henry (Resigned on 31 December 2019)	5/5	1/1
Mr. James Sha	4/5	0/1
Mr. Ip Yuk-keung, Albert	5/5	0/1
Dr. Fong Chi Wai, Alex (Appointed on 31 December 2019)	N/A	N/A
Alternate Director		
Mr. Lai Kai Ming, Dominic	–	–

In addition to the regular Board meetings, a meeting between the Chairman and Independent Non-executive Directors without the presence of other Directors was held once in 2019.

Each of the Non-executive Directors (including the Independent Non-executive Directors) has entered into a letter of service with the Company for a term of 12-month period. The appointment will be automatically renewed for successive 12-month periods unless terminated by either party in writing prior to the expiry of the term. In accordance with the Articles of Association of the Company, all Directors are subject to re-election by shareholders at annual general meetings and at least once every three years on a rotation basis.

Nomination of Directors

The Company has a Board diversity policy as it recognises the benefits of a diversified Board. The Board has therefore formalised the Company's existing approach and procedures and adopted a Director nomination policy to ensure that proper selection and nomination processes are in place for the appointment of additional and replacement Directors and re-election of Directors. As noted above, the Board will collectively participate in the selection and nomination process, when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the Board will consider the potential contributions a candidate can bring to the Board in terms of skills set, experience, expertise, independence, devotion, age, culture, ethnicity, gender and such other factors that it may consider appropriate for a position on the Board (collectively, "Nomination Principles"). The Board will review and monitor from time to time to ensure its effectiveness that diversity of the Board is maintained.

If the Board determines that an additional or replacement Director is required, the Board will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the Board will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules. Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are posted on the website of the Group. The Director nomination policy is available on the website of the Group. The Board will from time to time review the Director nomination policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

During the year ended 31 December 2019, the Board as a whole reviewed the succession plan for Directors, and made recommendations on re-appointment of retiring Directors, appointment of new Director and change of composition of Board committees. It has also assessed the independence of all the Independent Non-executive Directors and considered all of them to be independent. Board appointment has been, and will continue to be made, based on the nomination policy with due consideration of the Nomination Principles.

As stated in the Report of the Directors on page 19, Mr. Yeung Kwok Mung, Mr. James Sha and Mr. Ip Yuk-keung, Albert, will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. Dr. Fong Chi Wai, Alex who has been appointed as an Independent Non-executive Director by the Board on 31 December 2019 will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election. On 12 March 2020, after taking into account the Board's composition, the Board considered the nomination of the aforesaid Directors who will offer themselves for re-election, and decided to propose the resolutions to elect Mr. Yeung Kwok Mung as Executive Director, and Mr. James Sha, Mr. Ip Yuk-keung, Albert and Dr. Fong Chi Wai, Alex as Independent Non-executive Directors at the forthcoming annual general meeting. The nomination and proposed re-election were made in accordance with the Director nomination policy and took into account the Nomination Principles. Each of the above Directors has abstained from voting on his own nomination when it was being considered.

The Board is of the view that each of Mr. Yeung Kwok Mung, Mr. James Sha, Mr. Ip Yuk-keung, Albert and Dr. Fong Chi Wai, Alex possesses the relevant expertise and leadership qualities to complement the capabilities of other members of the Board, and will continue to contribute to the Board with his deep understanding of the businesses of the Group, diversity of skills set and perspectives as well as devotion to the Board. The Board also believes that the valuable knowledge and experience of these retiring Directors in the businesses of the Group and their general business acumen continue to generate significant contribution to the Company and the shareholders as a whole. The Board is also satisfied with the independence of each of Mr. James Sha, Mr. Ip Yuk-keung, Albert and Dr. Fong Chi Wai, Alex with reference to the criteria laid down in the Listing Rules, and their ability to provide independent views to the Company's matters.

The particulars of the above retiring Directors are set out in the circular to shareholders to be sent together with this Annual Report and posted on the Company's website.

Training and Commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's business by senior executives.

The Company provides to Directors relevant reading material and opportunities to attend training offered by related companies or third party providers to help to ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics counts toward continuous professional development. Directors disclose to the Company their interests as a director and other office in other public companies and organisations in a timely manner together with any subsequent changes thereto.

The individual training record of each Director who held office during the year ended 31 December 2019 is set out below:

Name of Director	Areas: Legal, Regulatory and Corporate Governance	Group's Businesses	Directors' Roles, Functions and Duties
Chairman			
Mr. Frank John Sixt	✓	✓	✓
Executive Director			
Mr. Yeung Kwok Mung *(Chief Executive Officer)*	✓	✓	✓
Non-executive Directors			
Ms. Chang Pui Vee, Debbie	✓	✓	✓
Mrs. Lee Pui Ling, Angelina	✓	✓	✓
Independent Non-executive Directors			
Mr. Cheong Ying Chew, Henry (Resigned on 31 December 2019)	✓	✓	✓
Mr. James Sha	✓	✓	✓
Mr. Ip Yuk-keung, Albert	✓	✓	✓
Dr. Fong Chi Wai, Alex (Appointed on 31 December 2019)	✓	✓	✓

Board Committees

The Board is supported by two permanent Board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of references of these committees are available on websites of the Company and HKEx.

Company Secretary

The Company Secretary, Mr. Man Tak Cheung is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. The Company Secretary ensures timely preparation and dissemination to Directors meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board and Board Committee meetings are sent to Directors or Board Committee members as appropriate for comments, approval and records. The minutes are available for inspection by any Director at any reasonable time and on reasonable notice.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Articles of Association of the Company. Whilst the Company Secretary reports to the Board through the Chairman, all members of the Board have access to the advice and service of the Company Secretary. The Company Secretary has the day-to-day knowledge of the Company's affairs. In response to specific enquiries made, Mr. Man Tak Cheung confirmed that he has complied with all the proposed qualifications, experience and training requirements of the Listing Rules in relation to the company secretary throughout 2019.

Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half year end.

The Directors acknowledge their responsibility for preparing the financial statements and annual report of the Company. With the assistance of the Finance Department which is under the supervision of the Chief Financial Officer, the Directors ensure the financial statements of the Company give a true and fair view and are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies. The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. The Directors also ensure the publication of the consolidated financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

The statement of the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 73 to 82.

Audit Committee

The Company has established the Audit Committee in January 2000. The Audit Committee currently consists of three Independent Non-executive Directors and one Non-executive Director. The Chairman of the Audit Committee has the appropriate professional qualifications, accounting or related financial management expertise. As disclosed in the Company's announcement dated 19 December 2019, Mr. Cheong Ying Chew, Henry resigned as the Chairman of the Audit Committee on 31 December 2019 and Mr. Ip Yuk-keung, Albert, who was a member of the Audit Committee, was appointed as the Chairman of the Audit Committee on the same day. The other members of the Audit Committee include Mr. James Sha, Mrs. Lee Pui Ling, Angelina and Dr. Fong Chi Wai, Alex, who was appointed on 31 December 2019. Written terms of reference in compliance with the Listing Rules have been adopted for the Audit Committee.

The principal duties of the Audit Committee include, among other things, overseeing and reviewing the adequacy and effectiveness of the risk management and internal control systems, oversight of the relationship with external auditor, review of the Group's financial information and monitoring the corporate governance of the Group including compliance with statutory and Listing Rules requirements, reviewing of scope, extent and effectiveness of the activities of the Group's financial reporting system and internal audit function, engages independent legal and other advisors and conducting investigations as it so determines to be necessary.

The Audit Committee held 3 meetings in 2019 with 91.67% attendance.

The attendance records of the Audit Committee meetings held in 2019 are set out below:

Name of Members	Attended
Mr. Cheong Ying Chew, Henry *(Chairman)* (Resigned on 31 December 2019)	3/3
Mr. James Sha	3/3
Mrs. Lee Pui Ling, Angelina	2/3
Mr. Ip Yuk-keung, Albert (Appointed as Chairman on 31 December 2019)	3/3
Dr. Fong Chi Wai, Alex	N/A

During the year, the Audit Committee performed the duties and responsibilities under the terms of reference and other duties as required under the Code.

The Audit Committee meets with the Chief Financial Officer and other senior management and the Company's internal and/or external auditor, where applicable to discuss their respective audit findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance, internal control, risk management and financial reporting matters (including the interim and annual financial statements before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of consolidated financial statements of the Group, the annual report and accounts, and interim review report and accounts of the Group, discussed such annual report and audited accounts, interim report and accounts with Management and the external auditor, and considered significant financial reporting and judgements contained therein. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

(a) any changes in financial reporting and accounting policies and practices;

(b) major judgemental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting.

The Audit Committee also meets with the Group's internal auditor separately without the presence of Management. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of risk management and internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the Group's internal audit the work plan for their audits together with their resource requirements and considers the report submitted by the Group's internal auditor to the Audit Committee on the effectiveness of risk assessment and internal controls in the Group business operations. In addition, where necessary, it seeks advice from the Group's Group Senior Legal Counsel on the Group's material litigation proceedings and compliance status on regulatory requirements. The Audit Committee will seek legal advice (internally or externally) as and when necessary when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditor confirming their independence and objectivity and holds meeting with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The Group's policy regarding the engagement of its external auditor, PricewaterhouseCoopers, for the various services is listed below:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, due diligence and accounting advice related to mergers and acquisitions and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must or is best placed to undertake in their capacity as auditor.

- Taxation related services – include some tax compliance and tax planning services. All other significant taxation related work is undertaken by other parties as appropriate.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

External Auditor's Remuneration

The amount of fees charged by the external auditor of the Company generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2019, the remuneration to the external auditor of the Company (after adjustment to prior years' accrual) were approximately HK$6,087,000 for audit services and HK$35,000 for non-audit services comprising tax services.

Recommendation for Re-appointment of External Auditor

The Board and Audit Committee were satisfied with the external auditor's work, its independence, and its objectivity, and therefore recommended the re-appointment of PricewaterhouseCoopers (which has indicated its willingness to continue in office) as the Group's external auditor for the financial year of 2020 for Shareholders' approval at the 2020 annual general meeting.

Remuneration Committee

The Company has established the Remuneration Committee in March 2000. The Remuneration Committee currently consists of a Non-executive Director and two Independent Non-executive Directors. As disclosed in the Company's announcement dated 19 December 2019, Mr. Cheong Ying Chew, Henry resigned as the Chairman of the Remuneration Committee on 31 December 2019 and Dr. Fong Chi Wai, Alex has been appointed as the Chairman of the Remuneration Committee on the same day. The other members of the Remuneration Committee include Mr. Frank John Sixt and Mr. Ip Yuk-keung, Albert. Normally, the remuneration packages of Directors and senior management of the Group are approved by the written resolutions signed by all members of the Remuneration Committee at the end of each year. The Remuneration Committee will meet as and when required to consider remuneration related matters of Directors and senior management of the Group. The Remuneration Committee is able to access to independent professional advice, if necessary.

The Remuneration Committee assists the Board in achieving its objectives of attracting, retaining and motivating employees of high calibre and experience needed to shape and execute strategy across the Group's diverse operations. It assists the Group to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and is also responsible for the administration of the share option schemes adopted by the Company, if any. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of the Executive Director and certain senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators and statistics), the Group's business activities and human resources issues, and headcount and staff cost. The Remuneration Committee had reviewed and approved the year-end bonus and 2020 remuneration package of Executive Director and senior executives of the Group. The Executive Director does not participate in the determination of his own remuneration.

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and individual's performance.

The Remuneration Committee's written terms of reference are published on the Company's website, and are compliant with the Code Provisions set out in Appendix 14 of the Listing Rules.

The Remuneration Committee had 1 meeting in 2019 with 100% attendance.

The attendance of the Remuneration Committee meeting are set out below:

Name of Members	Attended
Mr. Cheong Ying Chew, Henry *(Chairman)* (Resigned on 31 December 2019)	1/1
Mr. Frank John Sixt	1/1
Mr. Ip Yuk-keung, Albert	1/1
Dr. Fong Chi Wai, Alex (Appointed as Chairman on 31 December 2019)	N/A

During the year, the Remuneration Committee performed the duties and responsibilities under the terms of reference and other duties as required under the Code.

Consistent with the principles as set out above, for the year ended 31 December 2019, the remuneration of Directors and senior management was determined with reference to the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the year ended 31 December 2019 are set out in note 39(a) to the consolidated financial statements.

Risk Management and Internal Control

Overviews

The Group's risk management and internal control systems, being an integral part of the Group's operations, are systems of process effected by the Board and management team to provide reasonable but not absolute assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Group assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The purpose of the risk management and internal control systems is to identify and manage the risks which are categorised as strategic, operational, compliance and financial risks of the Group so as to reduce, mitigate, transfer or avoid them. Whilst risk management and internal control systems are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they can only provide reasonable and not absolute assurance against material mis-statement, errors, losses or fraud.

Responsibility

The Board has the overall responsibility for the Group's system of risk management, internal control and corporate governance compliance.

In meeting such responsibility, the Board seeks to increase awareness of risk across the Group's business operations by charging the Executive Director of the Company the responsibility to provide a framework for the identification and management of risk by putting in place policies and procedures such as parameters of delegated authority.

The Board evaluates and determines the nature and extent of the risk that the Company is willing to accept in pursuit of the Group's strategic and business objectives. It also reviews and monitors the effectiveness of the system of risk management and internal control on an ongoing basis. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by management of business operations, review by the Board, on a monthly basis, of actual results against budget and against the same period of the immediate previous year, review by Audit Committee, with the internal auditor of the Company on a bi-yearly basis, of the ongoing work of the Group's internal audit and risk management functions, as well as regular business reviews by Executive Director and the executive management team of each core business units.

Risk Management

On behalf of the Board, the Audit Committee regularly reviews corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

To assist the Audit Committee to fulfill its responsibilities in managing risk, a risk management committee, facilitated by the Company's internal auditor, has been set up. The risk management committee has adopted an Enterprise Risk Management ("ERM") framework which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. This framework facilitates a systematic approach to the management of risk within the Group, coupled with an internal control environment, enabling the Group to identify, evaluate and manage the risk that it faces, be it strategic, financial, operational or compliance. The risk management committee, in undertaking the risk review and report exercise, adopts a "top-down and bottom-up" approach, involving input from each core business unit, discussions with the management teams of each core business unit as well as the Executive Director, about current and emerging risks, their possible impact and mitigating measures. These measures also takes into account recommendations made by the Group's internal auditor, such as instituting additional controls and safeguards, with the view to transfer or minimise financial impact of risks to the Group's businesses.

During the year, the risk management committee reviewed key risk areas within the Group. Each core business unit is required to identify and assess the significant risks and have them recorded in the form of a risk register, which is the outcome from this "top-down and bottom-up" approach. Mitigation measures and plans are also registered to facilitate review and track its progress. The risk registers are considered by the Executive Director who takes a holistic view of all the significant and material risk the Group faces. The Company's internal auditor presents to Audit Committee, on a bi-yearly basis, reports on risk management which includes the risk register, reports on work undertaken by its team throughout the year, such as review of the business processes and activities including any action plans to address any identified control weaknesses. External auditor will also report on any control issues identified in the course of their audit work. The Audit Committee, on behalf of the Board, reviews all these reports to ensure that all significant and material risks are identified and appropriately managed and then approves of it before reporting to the Board. The Board will conclude its annual review and approve on the effectiveness of the risk management and internal control systems.

Taking a holistic approach, the Group has integrated the risk management and internal control systems into its business processes through reporting, review activities and planning. The Group's risk management and internal control systems include a comprehensive system for reporting information to the executive management teams of each core business unit and the Executive Director.

Internal Control Environment

The Board has the overall responsibility of monitoring the operations of the businesses within the Group. Executive Director is appointed to the boards of all material operating subsidiaries, joint operation and associated companies for monitoring those companies, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business unit is accountable for the conduct and performance of each business in the unit within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Director. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each significant and material businesses. The Chief Financial Officer has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business unit with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Monthly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group maintains a centralised cash management system for its unlisted subsidiary operations and the Group treasury function, and the Group's cash and liquid investments, borrowings and movements are reported to the Chief Financial Officer on a monthly basis.

In terms of review of the Group's internal control system, an internal control self-assessment process is in place, requiring the management team of each significant and material unit to review and evaluate the effectiveness of the controls over the operations and devise action plans to address the issues (if any). The Group's internal auditor provides independent assurance as to the existence and effectiveness of the risk management and internal control activities in the Group's business operations in different jurisdictions. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit devises its yearly audit plan which is reviewed by the Audit Committee and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit is responsible for assessing the Group's risk management and internal control systems, formulating an impartial opinion on the system, makes constructive recommendations to the relevant management for necessary actions, follows up on all reports to ensure that all issues have been satisfactorily resolved and reporting its findings to the Audit Committee and the Executive Director. In addition, a regular dialogue with the Group's external auditor is maintained so that the external auditor is aware of the significant factors which may affect their scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial/information technology and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

These assessment results, together with the Group's internal auditor's reports as mentioned above together with independent assessments by external auditor, form part of the basis on which the Audit Committee formulate their opinion on the Group's risk management and internal control systems.

Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the SFO, the Group has set out its policy to regulate procedures and internal controls including pre-clearance on dealing in Group's securities by designated members of management, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis to guard against possible mishandling of inside information within the Group.

Corporate Governance

The Board is entrusted with the overall responsibility for developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by the Chief Financial Officer comprising representatives from key departments of the Company was set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

Review of Risk Management and Internal Control and Corporate Governance Compliance

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control for the year ended 31 December 2019 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Legal, Regulatory Compliance and Directors and Officers Liability Insurance

The Group's legal department has the responsibility of safeguarding the legal interests of the Group. The legal and company secretarial teams who report to the Group Senior Legal Counsel and the Company Secretary respectively, are responsible for monitoring the legal affairs of the Group, including preparing, reviewing and approving legal and corporate secretarial documentation of the Group companies, working in conjunction with finance team on the review and co-ordination process. In addition, the legal department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. The legal department determines and approves the engagement of external legal advisors, ensuring the requisite professional standard are adhered to as well as most cost effective services are rendered. The legal department also oversees the procedures and internal controls for handling and dissemination of information of the Company. The Corporate Communications & Investor Relations Department with the support of the Group's legal department has established and implemented procedures for responding to external enquiries about the Group's affairs.

During the year under review, the Company has not made any changes to its Memorandum and Articles of Association ("M&A"). An updated copy of the M&A is available on the websites of the Company and HKEx.

Directors and officers liability insurance is in place to protect Directors and officers against potential legal liabilities.

Code of Conduct

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided/has access to the Group's Employee Handbook which contains the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery etc. The employees are required to report any non-compliance with the Code of Conduct to the Management.

Investor Relations and Shareholders' Rights

The Group promotes investor relations and communications with the investment community when the financial results are announced.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Additional information is also available to shareholders on the website of the Company.

The Board formalised and adopted a dividend policy for the Company. The Board is committed to maintaining an optimal capital structure. This is pursued to deliver returns to shareholders and ensure that adequate capital resources are available for business growth and investment opportunities. The Board will continue to review the dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend the annual general meetings for which the Company gives at least 20 clear business days' notice. The Chairman, Directors and external auditor are available to answer questions on the Group's businesses at the meeting.

Shareholders who fulfill the requisite requirements have statutory rights to call for extraordinary general meetings by serving written requisition to the Company and put forward agenda items for consideration by shareholders. Furthermore, shareholders who fulfil the requisite requirements may put forward proposals for consideration at a general meeting of the Company by sending a written request for such proposals in accordance with the relevant statutory requirements. Votes of shareholders at general meetings will be taken by poll and the results of the poll are published on the websites of the Company and HKEx. Financial and other information on the Group is available on the Company's website, which is updated regularly.

The Company values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to our Investor Relations Manager by mail or by e-mail at ir@tomgroup.com.

The latest shareholders' meeting of the Company was the 2019 annual general meeting which was held on 8 May 2019 at the Grand Ballroom I, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon attended by external auditor and certain Directors including the Chairman of the Remuneration Committee and Chairman of the Audit Committee. Resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 8 May 2019 are set out below:

ORDINARY RESOLUTIONS			Number of Votes (Approx.%)
			For
1.	To consider and adopt the audited Financial Statements and the Reports of the Directors and the Independent Auditor for the year ended 31 December 2018.		2,665,961,504 (99.999250%)
2.	(a)	To re-elect Mr. Frank John Sixt as a Non-executive Director.	2,664,229,040 (99.934865%)
	(b)	To re-elect Mrs. Lee Pui Ling, Angelina as a Non-executive Director.	2,665,815,504 (99.994374%)
	(c)	To re-elect Mr. Cheong Ying Chew, Henry as an Independent Non-executive Director.	2,664,251,040 (99.934941%)
3.	To re-appoint PricewaterhouseCoopers as Auditor and authorise the Board to fix their remuneration.		2,665,941,504 (99.999250%)
4.	To grant a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution.		2,664,225,038 (99.934865%)
5.	To grant a general mandate to the Directors to repurchase shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution.		2,665,945,504 (99.999250%)
6.	To extend the general mandate granted to the Directors to allot, issue and deal with additional shares by the amount representing the aggregate nominal amount of the issued share capital of the Company repurchased by the Company.		2,664,223,038 (99.934865%)

By order of the Board

Man Tak Cheung
Company Secretary

Hong Kong, 12 March 2020

Overview

This Report provides an annual update of the Group's Environmental, Social and Governance ("ESG") performance for the calendar year of 2019. The Group is committed to building a sustainable future for all our stakeholders and the communities in which we operate through promotion of our sustainability values and implementation of our environmental friendly and community investment programmes across all our businesses and all levels of our operations.

Reporting Scope

This Report covers the ESG impacts, policies and initiatives of the Group for the period from 1 January 2019 to 31 December 2019. Some indicators are partial and only relate to certain reportable operating segments of our Group, or activities as indicated in the text.

Reporting Reference

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 to the Main Board Listing Rules of the Stock Exchange. Aspects and indicators that reflect the relevant environmental and social impacts from our businesses and operations in relation to environmental protection, employment and labour practices, operating practices and community investment are presented in the Report.

Content of this Report

The content of this Report is prepared based on the material and relevant ESG aspects of the Group and its stakeholders, and is linked to the Group's business objectives and strategies. The Group has gathered all relevant data and information from the human resources and administration, finance, legal, information technology, and operational teams, and presented them in this Report to the best of the Group's knowledge, in good faith and due care.

The data measurement techniques and calculation methods used for this Report are stated where appropriate. Past data and information for certain indicators have been stated with effects and reasons reflected and explained where appropriate.

Feedback to this Report

The Company welcomes stakeholders' feedback on the Group's environmental, social and governance approach and performance. Please share your views with us via email at ir@tomgroup.com.

General

TOM Group is principally engaged in technology and media business. It also has technology operations in e-commerce/new retail, social network, mobile internet; and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments. Being a responsible company, we are committed to maintain corporate social responsibility and continue to enhance our operational efficiencies and implement environmentally friendly measures with the view to minimising impact of our existing businesses on the environment.

The Group has been working towards achieving long-term sustainable growth of its businesses whilst safeguarding stakeholders' interests, and addressing social and environmental concerns.

I. Subject Area A: Environmental

TOM Group does not operate in an environmentally sensitive business and is predominantly service-oriented. However, the Group acknowledges that addressing environmental issues is a collective responsibility shared by every member of the community. To enhance its operational efficiencies and reduce the impact of its business on environment, the Group embraces the "Reduce, Reuse & Recycle" philosophy and applies to its operations with a view to minimise all types of waste, including general waste, production waste, electronic waste, regulated air emissions, and wastewater.

The Group has policies for the reduction of energy consumption and efficient use of resources so as to reduce the emission of greenhouse gas ("GHG") and other pollutants in relation to its operations carried out in all its business units' office and points of sale controlled and run by the Group, including switching off idle lightings, computers and electrical appliances, deployment of energy-saving lightings, using of recycled paper, monitoring water consumption, encouraging the use of public transport for local travelling to meetings and airports and using tele or video conferencing as an alternative to business travels.

As at 31 December 2019, approximately 600,000 retail stores in rural China have joined the Ule e-commerce platform, run by our joint operation with China Post, offering offline-to-online concierge services for store owners and rural buyers, and sale of agricultural produce to urban customers, shaping the future of retail across rural and urban areas in Mainland China. Moving business on-line can reduce waste such as printed catalogue, retail space and the number of commuters for the suppliers and customers that are not in proximity to each other. In addition, the engagement of China Post as logistic partner for the goods sold on Ule's e-commerce platform enabling synchronised delivery of the said goods together with China Post's ordinary mails and parcels, and the use of rural outlets as consolidated delivery points for the goods sold on Ule's e-commerce platform can achieve optimal utilisation of resources without putting more vehicles on the road and creating incremental carbon impacts.

Further, through the provision of advanced data analytics services, Ule is able to assist those merchant customers using its services to have a more precise production/marketing plan based on the analysed information and data so as to reduce waste and the need for inventory and warehouse space which in turn reduce the use of resources.

In addition, with the Group's investment in fintech sector, the entire loan application and approval process can be conducted via our investee's online lending platform on a totally paperless basis. These innovations also save the customers from commuting in order to apply for loans and meet the lender face-to-face.

The Publishing business of the Group's Media Business focuses on the development of its digital publishing business which will reduce the paper consumption. For the traditional media business, the Publishing sector has outsourced its publishing work to printing service providers with sound environmental protection devices and measures to minimise the impact on the environment. The key printers engaged by the Publishing sector during the reporting period are printing houses awarded with quality management system certificate and environmental system management certificate. They have been enhancing their production facilities to reduce the pollution and emission arising from the printing process.

In 2019, there were no confirmed non-compliance incidents in relation to gas emission, discharges into water and land and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

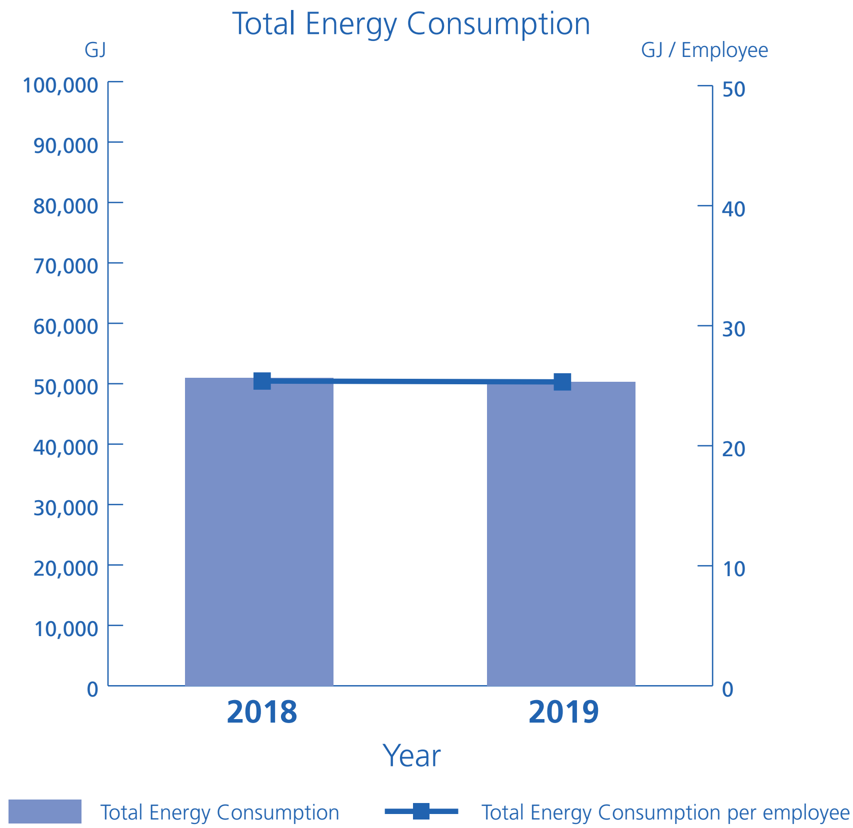
Energy Consumption and Greenhouse Gas Emission

In view of its business nature, the Group is a relatively small GHG emitter. Within the Group, electricity consumption accounts for a major part of its GHG emissions and energy consumption. Electricity consumption includes electricity used by (i) office facility/equipment at all offices of the Group's operations; (ii) points of sale of Publishing sector, (iii) outdoor media assets such as Neon signs, LED billboards and (iv) the Group's major IT systems for different operations under the Group's technology platform stored at different data centres which are owned and run by third parties. As data centres owners have not provided sub-meter for recording individual customer's consumption of electricity, the electricity consumption data of IT systems was an estimation based on the configuration of the IT equipment and the total number of racks rented for the storage of the IT systems. The computer systems used by the Group's technology platform in the Mainland China and Taiwan were a key source of energy consumption. To reduce GHG emission, the Group has taken various energy saving measures to improve energy efficiency and thus reduce energy consumption of the Group's operations.

The Group has been investing in energy saving initiatives to improve energy efficiency across all our existing operations as mentioned above. In addition to using energy saving lighting systems, we also encourage the use of natural sunlight as much as possible and activate energy saving mode for our office equipments. Our Publishing sector has installed heat blockage curtains in some of their offices in Taiwan in order to reduce the room temperature and hence minimising the use of air conditioning.

During the review period, total energy consumption of the Group and the energy consumption per employee decreased by approximately 1.32% and 0.28% respectively as compared to the same period of the previous year.

The Group's energy consumption in 2018 and 2019 are as follow:

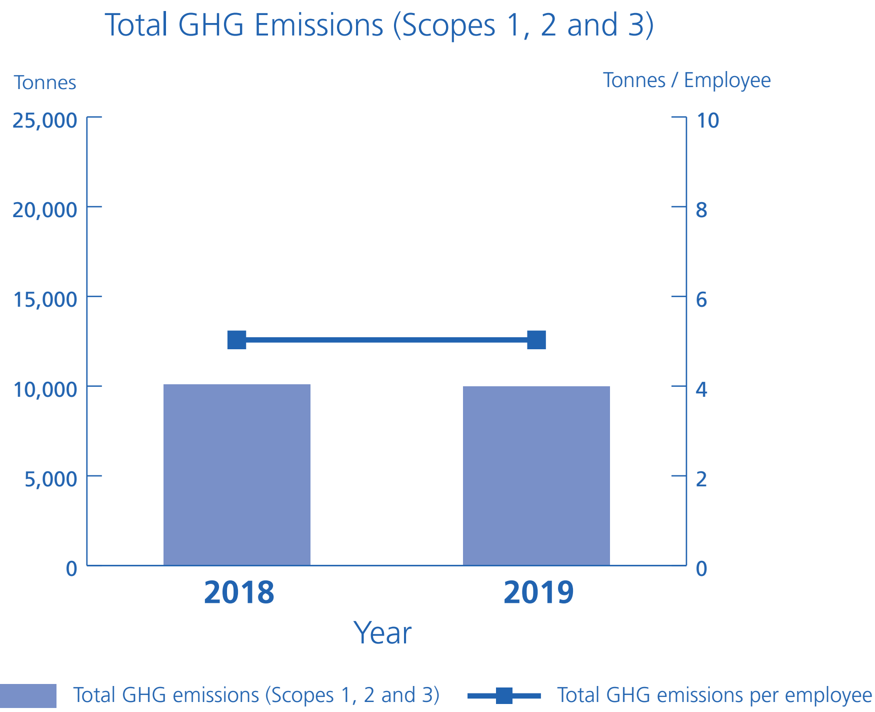


Note: (1) In view of its business nature, the Group's direct energy consumption represents an insignificant portion of the Group's total energy consumption. Direct energy consumption accounts for approximately 2.5% and 1.39% of the Group's total energy consumption in 2018 and 2019 respectively.

To reduce GHG emission (scope 1) and other air emissions, our business units have also been monitoring the corporate vehicles' monthly mileage in order to track and minimise usage. Further, the Group has introduced initiatives to reduce the GHG emissions related to air travels. These measures have been cascaded to all business units where business travels are currently kept to on a need basis. Cross-locations business meetings are conducted via tele or video conferencing whenever practicable.

During the review period, the Group's GHG emission (scopes 1, 2 and 3) and the GHG emission (scopes 1, 2 and 3) per employee decreased by approximately 1.1% and 0.06% respectively as compared to the same period of the previous year. And the Group's NOx, SOx and PM emissions decreased by approximately 0.8%, 0.7% and 1.2% respectively as compared to the same period of the previous year.

The charts below present total GHG Emissions and other Air Emissions in 2018 and 2019:



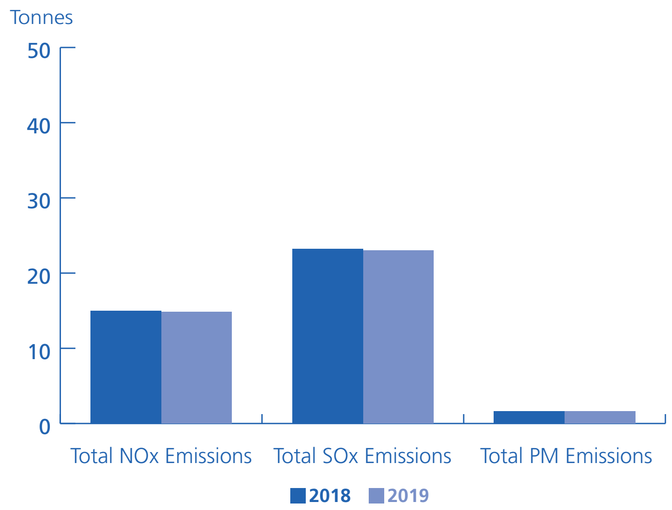
Note: (1) The calculation of GHG emissions data (scope 1) for using of the Group's fleet of vehicles was based on the fuel consumption and the emission factors for different type of vehicles and fuels provided in the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

(2) The calculation of GHG emissions data (scope 2) for electricity consumed by the Group in Hong Kong, Mainland China and Taiwan was made with reference to the amount of electricity consumed in the said respective region and emission factors provided by HK Electric, Ecometrica and Bureau of Energy, Ministry of Economic Affairs, Taiwan respectively.

(3) GHG emissions data (scope 3) relating to business air travel of the Group's employees was calculated by using the International Civil Aviation Organization Carbon Emissions Calculator.

(4) In view of its business nature, the Group's scope 1 and scope 3 GHG emissions represent an insignificant portion of the Group's total GHG emissions. Scope 1 and scope 3 GHG emissions account for approximately 3.1% and 3.2% of the Group's total GHG emissions in 2018 and 2019 respectively.

Air Emissions (NOx, SOx and PM)



Notes: (1) Air emissions data (including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("PM")) includes emissions generated by the usage of Group's own fleet of vehicles and electricity consumed by the Group.

(2) The calculation of air emissions data for using of the Group's fleet of vehicles was based on the relevant fuel consumed/distance travelled and the emission factors for different type of vehicles and fuels provided in the Reporting Guidance on Environmental KPIs published by Stock Exchange.

(3) The calculation of air emissions data for the Group's electricity consumption in Hong Kong and Mainland China was made with reference to the electricity consumed and the emission factors for using electricity in Hong Kong and Mainland China respectively provided in "The Clean Air Charter – A Business Guidebook" published by Hong Kong General Chamber of Commerce and Hong Kong Business Coalition on the Environment.

(4) Air emissions data for the Group's electricity consumption in Taiwan was calculated with reference to the electricity consumed and the emission factors for using electricity in Hong Kong as Taiwan Environmental Protection Administration does not have any information on electricity emission factors of NOx, SOx and PM for office-based facilities.

Paper Consumption

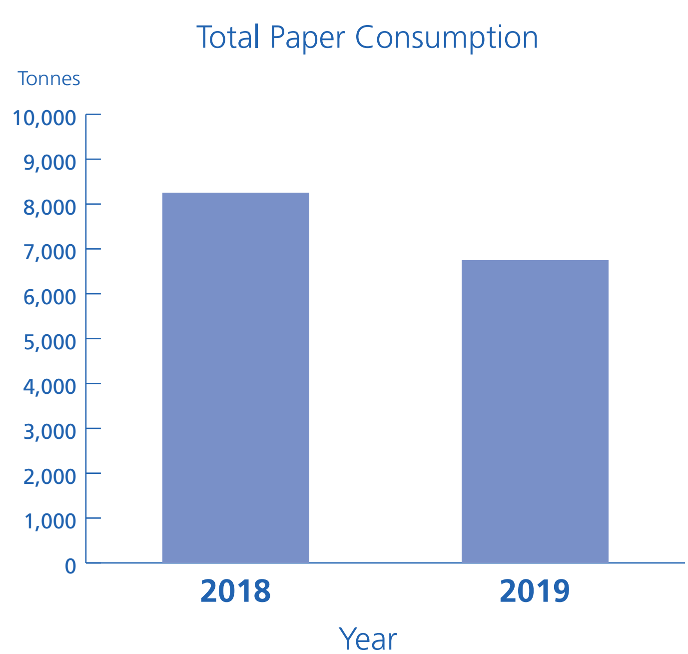
As one of the key players in the Greater China publishing market, TOM Group is committed to minimising our impact on the environment and upholding the responsible stewardship of the world's natural resources while producing physical publications for our customers.

Recycled paper has not been used for the production of magazines and books etc. as the quality and nature of recycled paper does not satisfy the needs of the said products. The Group will continue to explore opportunities to develop its green purchasing practices in this area. To minimise the environmental impact, the Publishing sector has already taken into account the paper suppliers' environmental facilities/measures profile as one of the criteria for awarding of contract in accordance with its procurement policy. During the review period, the suppliers have adhered strictly to industry guidelines in order to minimise impact on the environment with strict measures to control air pollution and reduce water consumption during the manufacturing process. The suppliers have also been in compliance with the ISO 14001 Environmental Management System Standard.

The development in digital publishing business by the Publishing sector of the Group's Media Business in recent years has contributed to the reduction in paper consumption. In addition, our offices across business units have launched several paper saving initiatives including the use of electronic documents to minimise unnecessary printing, doubled-sided printing for both internal and external documents whenever possible, as well as "think before you print" campaign to minimise paper consumption.

During the review period, total paper consumption for publishing business and office usage significantly decreased by approximately 18.2% as compared to the same period of the previous year. In 2019, approximately 46% of the office paper consumed was FSC certified/recycled paper.

Illustrated below is the total paper consumption of the Group in 2018 and 2019:

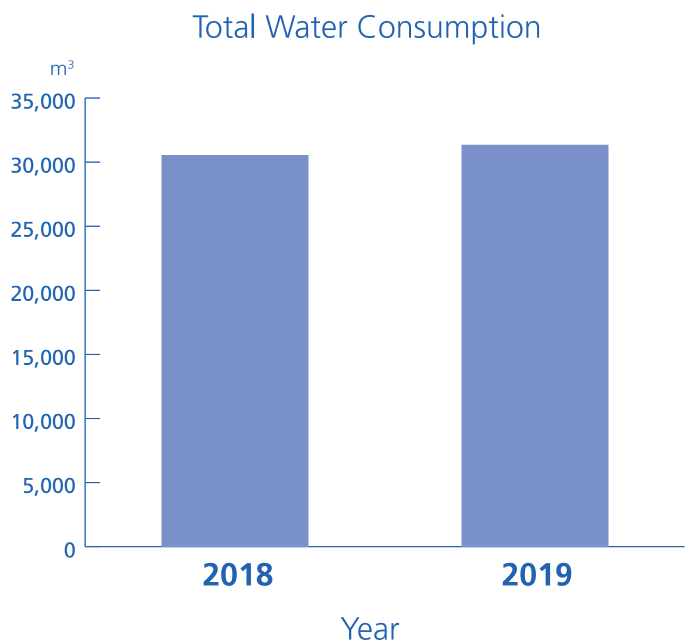


Water Consumption

Water consumed data was based on the information obtained from water bills available to the Group. However, certain operations of the Group have operated in leased office premises of which water supply is solely controlled by the respective property management which considered the provision of the breakdown showing water withdrawal data for individual occupants not feasible.

In 2019, water usage of our offices increased by approximately 2.6% as compared to the same period of the previous year, primarily caused by the increase of office size and the change of charging mechanism. The Group will continue to strive for improvements on water usage among all office locations including measures to suspend tap water supply during non-office hours as well as close cooperation with office building management to conduct regular maintenance on water pipes to avoid leakage.

Illustrated below are the total water consumption of the Group in 2018 and 2019:

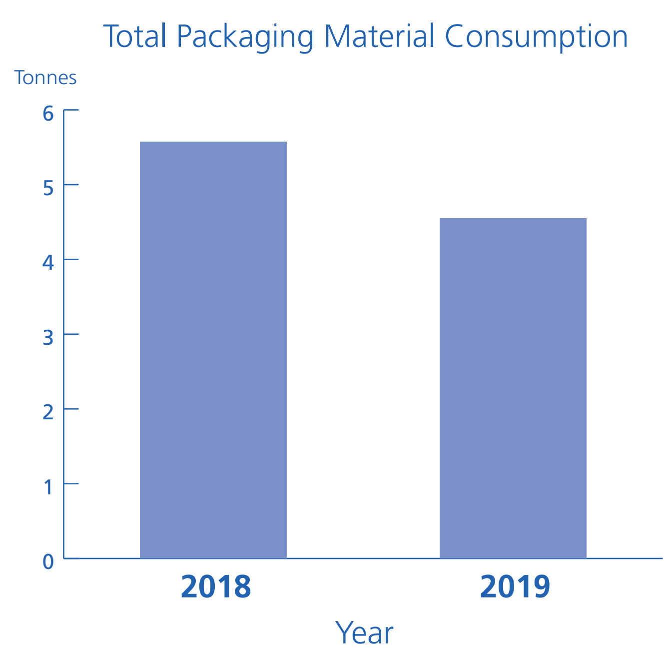


Waste Management

In view of its business nature, the Group does not generate any hazardous waste. General non-hazardous office waste generated was disposed through waste separation and recycling facilities provided by the property management companies of the office buildings in which our business units are located.

Waste paper generated during the printing process taken out by Publishing sector's printers was environmentally handled according to the requirements of Taiwan's Waste Disposal Act. And the packing materials used for packing the Publishing sector's books and magazines are degradable environmental protection materials. In 2019, the total packaging material consumption significantly decreased by approximately 18.3% as compared to the same period of the previous year.

Illustrated below are the total packaging material used by the Group in 2018 and 2019:



II. Subject Area B: Social

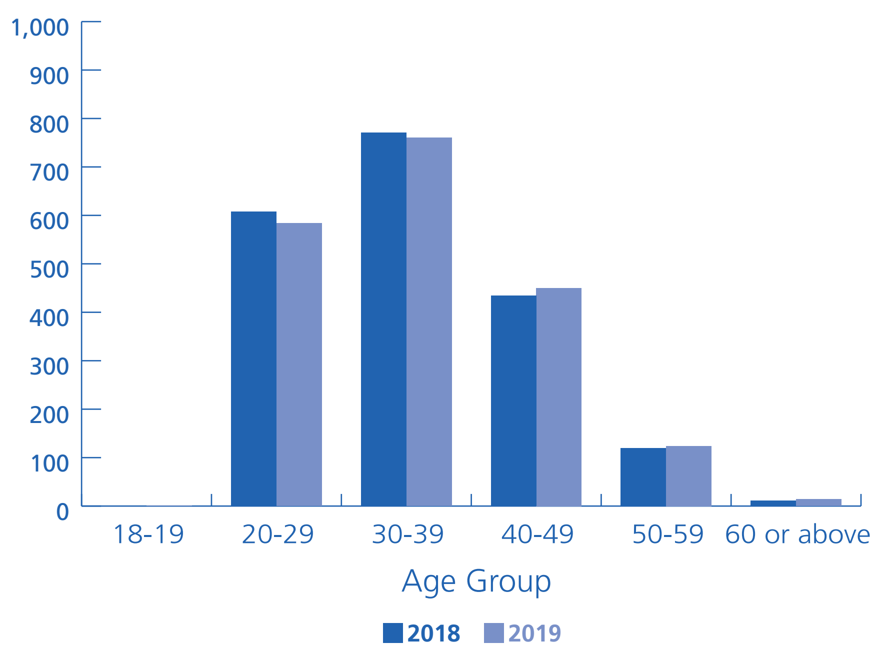
A. Employment and Labour Practices

Human resources are a valuable asset to the Group. The Group is committed to providing a safe and healthy environment for all staff, and takes reasonable steps to safeguard the health and safety of our employees. The Group also encourages career development and training, and promotes a healthy living style with work-life balance.

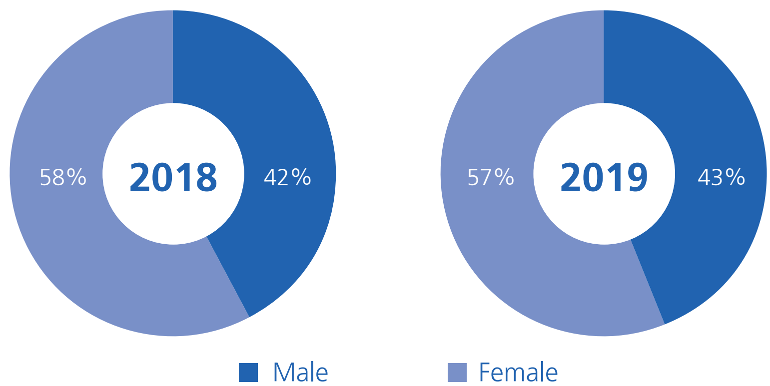
As of 31 December 2019, TOM Group employed approximately 1,933 full-time staffs and 54 part-time employees including approximately 574 Ule's full-time employees. The total number of employees of the Group in 2019 is substantially the same to that of 2018.

Below is the breakdown of our full-time employees by age group, gender and region:

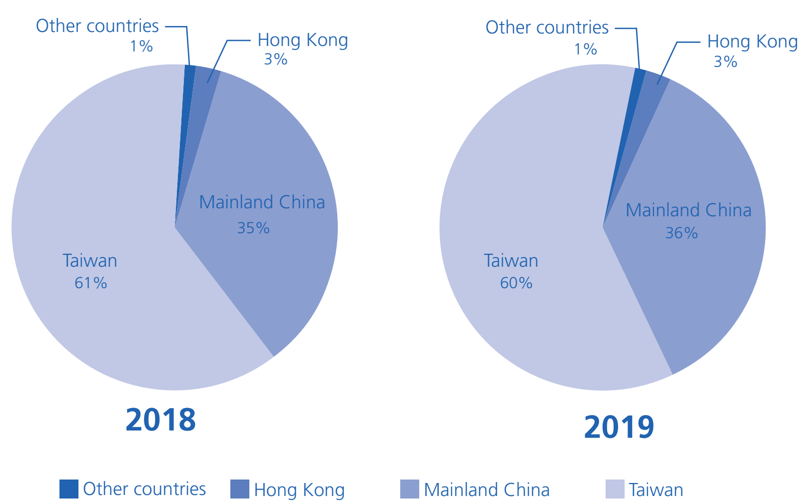
Number of Full-time Employees by Age Group



Number of Full-time Employees by Gender



% of Full-time Employee by Region



Working Conditions

As equal opportunity employer, the Group is committed to providing a working environment that is free from discrimination on the basis of race, colour, creed, sex, age, religion, national origin, or disability. This includes employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, in order to ensure employees and job applicants enjoy equal opportunities and fair treatment. The salary and benefit levels of the Group's employees are reviewed annually on a performance related basis within the general framework of TOM Group's salary system. A wide range of benefits including comprehensive medical, life and disability insurance coverage and retirement schemes are also provided to employees. Our Publishing business of the Group's Media Business also employs the disabled personnel who can undertake desk jobs and sight impaired personnel provide staffs with massage services.

Aiming to promote camaraderie and work-life balance culture across the Group, the Group has in place a number of employee benefit and support programmes which we believe would enable our employees to perform to their full potential and maintain a healthy work-life balance at the same time. Our employees frequently come together to enjoy a number of cultural and sporting activities such as in-house functions and table tennis competition.

In 2019, there were no confirmed non-compliance incidents in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of any employment that have a significant impact on the Group.

Health and Safety

Our Group attaches great importance to employees' health and safety. The total number of injury cases of the Group in 2019 is substantially the same to that of 2018. No work-related fatal incidents occurred in both 2018 and 2019. Each injury case has been investigated and analysed by the Human Resources Department and preventive measures have been implemented to ensure the safety of our work places.

In 2019, there were no confirmed non-compliance incidents in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

Labour Standard

The Group through Human Resources Department implemented the relevant local laws and regulations in relation to the avoidance of child and forced labour. Relevant policy in this regard was set out in the employment contract and/or Human Resources internal guidelines. Each employee's age recorded in the Employee Registry was reviewed and checked against his/her identity documents to ensure no employment below the age eligible to work under the laws was made. Further, forced labour is strictly prohibited.

In 2019, there were no confirmed non-compliance incidents in relation to human rights and labour practices that have a significant impact on the Group.

Development and Training

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development. Customised training programmes are arranged for staffs members at different levels and from across its divisions on an ongoing basis throughout the Group. Induction programme was offered to new joiners to help them adapt to the new working environment. To stay abreast of best practices in the relevant business sectors, the business units have conducted different training courses including in-house training course and external course/seminar encompassing new technology such as advanced data and privacy data protection, and leadership and management skills as well as industry and market trends to enhance the overall professional and personal quality of its employees. Further, the Publishing business has organised eLearning programmes for the staffs on an electronic platform developed by themselves.

The total number of hours of training received by employees in 2019 and average number of hours of training per employee decreased by approximately 17.2% and 16.9% respectively as compared to the same period of the previous year.

B. Operating Practices

Supply Chain Management

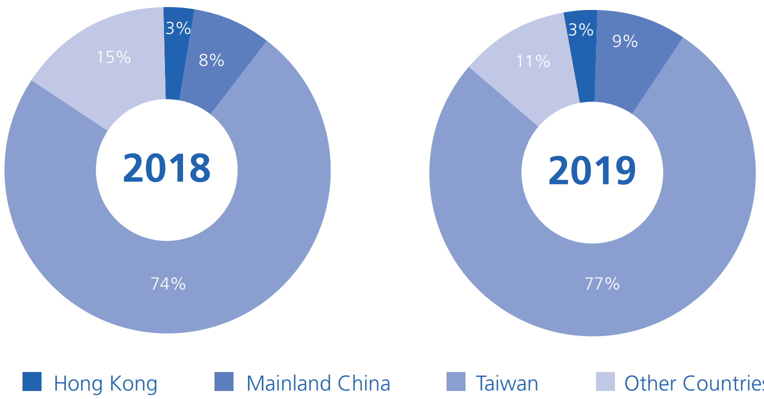
The Group considers our suppliers as strategic partners and contributors to our businesses and we strive to build long-term relationships with suppliers who share our values. The Group encourages suppliers, business partners and their associates to follow the same standards of integrity and transparency in doing business with us as we seek to apply in doing business with them.

The Group has a policy on procurement which set out criteria to evaluate our suppliers. The factors taken into account for selection of suppliers include: what kind of environmental protection facilities the potential supplier has set up, whether the potential supplier's environmental protection performance has been recognised by any well-recognised and legitimate organisation, such as ISO certification and whether the potential supplier has participated in any cultural preservation, charitable and/or community care activities. Further, the potential suppliers have to confirm and guarantee that no child labour and/or forced labour have/has been engaged. All procurement decisions go through a well-established procedure based on the level of authority (LOA) for approval. Such approval process is being practised by all business units within the Group.

In 2019, the number of key suppliers for our business operations (being suppliers of products and/or services whose total annual contract sum amounts to HK$100,000 or above), decreased by approximately 1.8% as compared to the same period last year. Around 3.4%, 8.9% and 76.8% of our key suppliers were located in Hong Kong, Mainland China and Taiwan respectively, the remaining 10.9% of our key suppliers were sourced from other countries.

Below are the detailed breakdown of the Group's key suppliers by region in 2018 and 2019:

% of Key Suppliers by Region



During the year, the Group was not aware that any key suppliers has any significant actual and potential negative impact on business ethics, environment protection, human rights and labour practices, nor any of them had any non-compliance incidents in respect of human rights issues.

Product Responsibilities

In 2019, the Group was not aware of any incidents of non-compliance with any laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion events, intellectual property rights and consumer data protection that have a material and significant impact on the Group. The Group is committed to continue to strengthen its information security systems to protect data privacy of the Group's customers/services users in accordance with the relevant laws and regulations of the places where the Group's relevant operations are carried out.

During the reporting period, there was no reported case relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that has a material adverse effect on the consolidated financials of the Group.

Anti-corruption
The Group is committed to achieving and maintaining openness, uprightness and accountability and all staff are expected to observe ethical, personal and professional conduct. In addition to the Staff Code of Conduct on anti-bribery and anti-corruption, the Group has adopted a whistle-blowing policy to provide a channel for employees and other stakeholders to report any suspected misconduct or malpractice within the Group in confidence and without fear of reprisal or victimisation and has conducted ongoing review of the effectiveness of the internal control systems on a regular basis. The whistle-blowing policy is available on the website of the Company.

In 2019, no report or complaint on bribery, extortion, fraud and money laundering was received by the Group that has a material adverse effect on the consolidated financials of the Group.

C. Community

As a good corporate citizen, the Group strives to improve society through community investment. We adhere to a well-established policy with specific guidelines on community involvements such as cash donations, community services, books donations, sponsored advertisements to charity organisations on the Group's print and online publications as well as provision of online donation platform for charity purpose.

In 2019, the Group worked closely with their local communities on a variety of initiatives ranging from fighting poverty to educating the next generation.

Giving Back to Society
In Hong Kong, the Group organises regular book donation activities to promote reading culture among people from different backgrounds since 2005. In 2019, the Group's volunteer visited S.K.H. St. Christopher's – Chai Wan Small Group Home and S.K.H. St. Christopher's Nursery (Kwai Chung), donated books to underprivileged children. During the out-reaching visit, the Group organised a story-telling programme and a planting workshop for all participating children to teach them how to grow mini-potted plants by using sustainable and environmental friendly substances. And each child received a book on environmental awareness as a gift. We hope that, in addition to showing care and concern to the underprivileged children, the event can instill the children's sense of environmental protection.

The Group's commitment and efforts in corporate social responsibility won public recognition and we have been named Caring Company by the Hong Kong Council of Social Service for 16 successive years since 2004.

Cité Publishing Group, our Publishing business flagship in Taiwan, has actively participated in community projects by donating funds, books and advertising spaces to charities, hospitals, universities, etc. It also employs disabled personnel who can undertake desk jobs and sight impaired personnel provide staffs with massage services.

Cité Culture & Arts Foundation ("Foundation") was established in 2006 by Cité Publishing Group, to enhance the impact of philanthropy by developing a passion for reading and promoting healthy reading habits in the community, reducing illiteracy in children of need, and giving back to the society.

The Foundation, in co-operation with World Vision and Taiwan Fund for Children and Families, pioneered the launch of a "Coastline Academy for kids" platform in Taiwan since 2010 with a view to reducing illiteracy of needy children in coastal areas. Cité Publishing Group, established Coastline Academy for kids in Jiabin in Jiayi county and Mailiao in Yunlin county, provides some funding, donates books, computers and other equipment as well as staff volunteers reading books regularly on a weekly basis via audio-visual technology by computer to needy children in the coastal areas.

Apart from making monetary and resource donations, the Foundation lobbies for public participation with a view to raise public awareness and encourages community participation in contribution to the needy. Currently, 12 Coastline Academies for kids have been established across Taiwan in addition to 2 new Secondary School Growth Groups to provide diverse learning initiatives for underprivileged teenagers with the co-operation and support from more than 30 organisations in Taiwan from wide-ranging backgrounds, e.g. charitable, religious, educational, business. The Foundation also participates and supports other charitable activities.

The Group's charitable donations and corporate sponsorships in 2019 is substantially the same level as that in 2018.

In Mainland China, our e-commerce joint operation with China Post Group, Ule, partners with local charitable organisations to engage in charitable and community services for the rural population. Ule has set up an online donation platform (http://cishan.ule.com/index.html) to allow the public to donate money for purchasing daily necessities to children and women living in the rural villages.

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羅兵咸永道

Independent Auditor's Report
To the Shareholders of TOM Group Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited
The consolidated financial statements of TOM Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 190, which comprise:

- the consolidated and Company statements of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, and of its consolidated loss and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill;
- Investments accounted for using the equity method; and
- Valuation of investment in financial assets at fair value through other comprehensive income

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Goodwill *Refer to note 16 to the consolidated financial statements* The Group has a significant amount of goodwill arising primarily from the acquisition of various businesses in prior years. As at 31 December 2019, goodwill, which amounted to HK$571 million, is related to E-Commerce, Social Network, Publishing and Advertising Groups. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. In carrying out the impairment assessments on Social Network, Publishing and Advertising Groups, significant judgements are required to estimate the future cash flows and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to their present values. In carrying out the impairment assessment on E-Commerce Group, significant judgements are required to estimate the future cash flows and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to its present value of the associated companies, which is a material asset of the E-Commerce Group.	The procedures to evaluate the Group's assessments of goodwill included: • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuation specialists; • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Goodwill (Continued) Based on the results of impairment assessments conducted by management, the impairment of goodwill of HK$6 million is provided for the year ended 31 December 2019. This conclusion is based on the recoverable amount, being the higher of the fair value less costs of disposal and value-in-use, comparing with the carrying value of respective cash-generating unit including goodwill as at 31 December 2019. The significant assumptions in respect of these impairment assessments are disclosed in note 16 to the consolidated financial statements.	We found the assumptions adopted in relation to these impairment assessments to be supportable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Investments accounted for using the equity method *Refer to note 18 to the consolidated financial statements* The Group has significant investments in associated companies, which are accounted for using the equity method. As at 31 December 2019, investments in associated companies amounted to HK$1,202 million. The majority of these investments relates to the E-Commerce Group. Investments in associated companies are subject to impairment assessments when there is an indication of impairment. In carrying out the impairment assessment, significant judgements are required to estimate the future cash flows and to determine the assumptions, including the growth rates used in the cash flow projections and the discount rates applied to bring the future cash flows back to its present value of the associated companies of the E-Commerce Group. Based on the result of the impairment assessment conducted by management, it is believed that there is no impairment of the Group's investments in associated companies. This conclusion is based on recoverable amount, calculated under the value-in-use model, which exceeds the carrying value of investments in associated companies as at 31 December 2019.	The procedures to evaluate the Group's assessments of investments in associated companies included: • We reviewed and evaluated management's assessments on impairment indicators; • Assessing the appropriateness of the valuation methodologies used; • Assessing the reasonableness of key assumptions based on our knowledge of the relevant business and industry and with the involvement of our valuation specialists; • Testing source data to supporting evidence on a sample basis, such as approved budgets and available market data and considering the reasonableness of these budgets; and • Performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions to which the valuation models are the most sensitive. In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the impairment assessment to be supportable based on available evidence.

Key Audit Matter

3. **Valuation of investment in financial assets at fair value through other comprehensive income**

Refer to note 20 to the consolidated financial statements

The Group's investment in financial assets at fair value through other comprehensive income ("Investments") are subject to fair value revaluation at each reporting date when there is a reliable measurement.

The majority of the Investments were valued by independent external valuers based on the market approach. The remaining Investments were valued by management based on the market approach and asset-based approach. With reference to the respective valuations, management had estimated the fair value of the Investments at HK$956 million at year end. Changes in the fair values of financial assets at fair value through other comprehensive income during the year of HK$284 million were recognised in other comprehensive income.

The valuation of the Group's financial assets at fair value through other comprehensive income was a key area of audit focus due to their significance to the Group's non-current assets and other comprehensive income.

How our audit addressed the Key Audit Matter

The procedures to evaluate the Group's assessments of financial assets at fair value through other comprehensive income included:

For listed Investments:

- Assessing the appropriateness of the valuation methodologies performed by management; and
- Testing the accuracy and relevance of input data used by the management based on available market data.

For unlisted Investments:

- Obtaining the valuation reports and discussing with the independent external valuers on the valuation methodologies and key assumptions;
- Assessing the competence, capability and objectivity of the independent external valuers;
- Involving our valuation specialists and assessing the valuation methodologies and the reasonableness of the key assumptions used in the valuations performed by the independent external valuers, based on our research evidence of key assumptions and comparable market transactions for similar businesses, where applicable;

Key Audit Matter	How our audit addressed the Key Audit Matter
3. Valuation of investment in financial assets at fair value through other comprehensive income (Continued) The valuation involved significant judgements and estimates from management, including marketability discount, minority discount and probability of conversion scenario.	• Assessing the appropriateness of the valuation methodologies performed by management; and • Testing, on a sample basis, the accuracy and relevance of input data used by the management and independent external valuers based on the subscription price of latest round of financing of the equity interests and disposal value with the transactions of similar assets. In the context of the audit of the consolidated financial statements of the Group, we found the assumptions adopted in relation to the valuations to be supportable based on available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and that comply with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 March 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	4	**916,115**	944,085
Cost of sales		**(531,590)**	(545,989)
Selling and marketing expenses		**(145,669)**	(160,450)
Administrative expenses		**(69,410)**	(99,977)
Other operating expenses		**(164,509)**	(150,354)
Other gains, net		**17,410**	5,778
Fair value gain on financial asset at fair value through profit or loss	5	**84,287**	–
		106,634	(6,907)
Provision for impairment of goodwill	6	**(6,468)**	–
		100,166	(6,907)
Share of profits less losses of investments accounted for using the equity method	18		
– Share of operating losses		**(106,907)**	(81,690)
– Share of fair value losses on financial liabilities at fair value through profit or loss		**(84,287)**	–
		(191,194)	(81,690)
Loss before net finance costs and taxation	7	**(91,028)**	(88,597)
Finance income		**6,008**	3,383
Finance costs		**(101,875)**	(72,098)
Finance costs, net	8	**(95,867)**	(68,715)
Loss before taxation		**(186,895)**	(157,312)
Taxation	9	**(9,628)**	(4,464)
Loss for the year		**(196,523)**	(161,776)
Attributable to:			
– Non-controlling interests		**758**	(3,153)
– Equity holders of the Company		**(197,281)**	(158,623)
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	11	**HK(4.98) cents**	HK(4.06) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Loss for the year		(196,523)	(161,776)
Other comprehensive income/(expense) for the year, net of tax			
– Items that will not be reclassified subsequently to income statement:			
Remeasurement of defined benefit plans		1,526	2,144
Revaluation surplus of investment properties	15	–	14,625
Revaluation surplus/(deficit) of financial assets at fair value through other comprehensive income	20	284,040	(25,687)
Share of revaluation surplus through other comprehensive income from an associated company	18	104,970	11,515
		390,536	2,597
– Item that may be subsequently reclassified to income statement:			
Exchange translation differences		320	(38,075)
		390,856	(35,478)
Total comprehensive income/(expense) for the year		194,333	(197,254)
Total comprehensive income/(expense) for the year attributable to:			
– Non-controlling interests		41,257	(5,267)
– Equity holders of the Company		153,076	(191,987)

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	13	**38,325**	44,297
Right-of-use assets	14	**47,309**	–
Investment properties	15	**21,268**	21,649
Goodwill	16	**570,856**	578,363
Other intangible assets	17	**134,509**	128,120
Investments accounted for using the equity method	18	**1,201,769**	1,259,461
Financial assets at fair value through other comprehensive income	20	**955,859**	446,984
Deferred tax assets	30(a)	**45,767**	48,369
Pension assets	29(a)	**2,745**	2,066
Other non-current assets	21	**1,841**	3,428
		3,020,248	2,532,737
Current assets			
Inventories	22	**101,935**	103,198
Trade and other receivables	23	**496,994**	544,610
Restricted cash	24	**7,598**	5,282
Cash and cash equivalents	25	**371,776**	386,064
		978,303	1,039,154
Current liabilities			
Trade and other payables	26	**566,103**	584,845
Taxation payable		**14,502**	21,532
Long-term bank loans – current portion	28	**11,633**	38,130
Short-term bank loans	27	**38,775**	38,130
Lease liabilities – current portion	14	**26,877**	–
		657,890	682,637
Net current assets		**320,413**	356,517
Total assets less current liabilities		**3,340,661**	2,889,254

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	30(b)	**12,857**	14,326
Long-term bank loans – non-current portion	28	**3,112,453**	2,845,813
Lease liabilities – non-current portion	14	**22,362**	–
Pension obligations	29(a)	**16,105**	28,606
		3,163,777	2,888,745
Net assets		**176,884**	509
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	31	**395,852**	395,852
Deficits		**(581,456)**	(733,307)
Own shares held	32	**(6,244)**	(6,244)
		(191,848)	(343,699)
Non-controlling interests		**368,732**	344,208
Total equity		**176,884**	509

Yeung Kwok Mung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	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 31 December 2018	395,852	(6,244)	3,744,457	(75,079)	776	165,847	327,679	14,625	684,211	6,096	(5,601,919)	(343,699)	344,208	509
Change in accounting policies (note 1(a)(ii))	–	–	–	–	–	–	–	–	–	–	(1,225)	(1,225)	(20)	(1,245)
Restated 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:	–	–	–	–	–	–	–	–	–	–	–	–	(9,734)	(9,734)
Dividend distribution to non-controlling interests														
Disposal of subsidiaries (note 33(b))	–	–	–	–	–	–	–	–	–	–	–	–	(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

	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$'000	Total equity HK$'000
Balance at 1 January 2018	389,328	(6,244)	3,625,981	(75,079)	776	161,668	345,963	–	716,197	6,096	(5,441,398)	(276,712)	354,196	77,484
Comprehensive income:														
Loss for the year	–	–	–	–	–	–	–	–	–	–	(158,623)	(158,623)	(3,153)	(161,776)
Other comprehensive income:														
Remeasurement of defined benefit plans	–	–	–	–	–	–	–	–	–	–	2,281	2,281	(137)	2,144
Revaluation surplus of investment properties	–	–	–	–	–	–	–	14,625	–	–	–	14,625	–	14,625
Revaluation (deficit)/surplus of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(28,648)	–	–	–	–	(28,648)	2,961	(25,687)
Share of revaluation surplus through other comprehensive income from an associated company	–	–	–	–	–	–	10,364	–	–	–	–	10,364	1,151	11,515
Exchange translation differences	–	–	–	–	–	–	–	–	(31,986)	–	–	(31,986)	(6,089)	(38,075)
Total comprehensive (expense)/income for the year ended 31 December 2018	–	–	–	–	–	–	(18,284)	14,625	(31,986)	–	(156,342)	(191,987)	(5,267)	(197,254)
Issuance of shares (note 31)	6,524	–	118,476	–	–	–	–	–	–	–	–	125,000	–	125,000
Transactions with equity holders:	–	–	–	–	–	–	–	–	–	–	–	–	(9,121)	(9,121)
Dividends paid to non-controlling interests														
Deconsolidation of subsidiaries (note 33(c))	–	–	–	–	–	–	–	–	–	–	–	–	4,400	4,400
Transfer to general reserve	–	–	–	–	–	4,179	–	–	–	–	(4,179)	–	–	–
Transactions with equity holders	–	–	–	–	–	4,179	–	–	–	–	(4,179)	–	(4,721)	(4,721)
Balance at 31 December 2018	395,852	(6,244)	3,744,457	(75,079)	776	165,847	327,679	14,625	684,211	6,096	(5,601,919)	(343,699)	344,208	509

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Cash flows from operating activities			
Net cash inflow from operations	33(a)	**169,673**	113,398
Interest paid		**(74,711)**	(44,830)
Overseas taxation paid		**(14,642)**	(7,998)
Net cash from operating activities		**80,320**	60,570
Cash flows from investing activities			
Capital expenditures		**(126,185)**	(125,503)
Capital investment in a financial asset at fair value through other comprehensive income		**–**	(3,900)
Proceeds from disposal of fixed assets		**110**	199
Disposal of subsidiaries	33(b)	**(2,046)**	–
Disposal of a former subsidiary	7(c)	**–**	3,660
Deconsolidation of subsidiaries	33(c)	**–**	(42)
Capital reduction in a financial asset at fair value through other comprehensive income	20	**140**	–
Loan to an associated company	5	**(137,733)**	–
Dividends received		**3,815**	4,074
Net cash used in investing activities		**(261,899)**	(121,512)
Cash flows from financing activities			
Issuance of shares		**–**	2
New bank loans	33(d)	**3,380,478**	174,646
Loan repayments	33(d)	**(3,145,671)**	(115,923)
Loan arrangement fee paid		**(26,574)**	(14,764)
Principal elements of lease payments	33(d)	**(32,442)**	–
Dividends paid to non-controlling interests		**(4,863)**	(9,121)
(Increase)/decrease in restricted cash	24	**(2,316)**	1,817
Net cash from financing activities		**168,612**	36,657
Decrease in cash and cash equivalents		**(12,967)**	(24,285)
Cash and cash equivalents at 1 January		**386,064**	423,457
Exchange adjustment		**(1,321)**	(13,108)
Cash and cash equivalents at 31 December	25	**371,776**	386,064

1 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together the "Group") 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") as stated in note 1(e)(ii), financial assets at fair value through profit or loss ("FVPL") as stated in note 1(e)(iii), defined benefit plan assets as stated in note 1(m)(i), investment properties as stated in note 1(g) 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, as stated in note 1(c) below.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

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. The Group also has undrawn banking facilities guaranteed by one of its substantial shareholders. Accordingly, the Group has prepared these consolidated financial statements on a going concern basis.

In the current year, the Group has adopted all the new standard, 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 2019.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

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

(i) New standard and amendments to standards

A number of new standard and amendments to standards became applicable for the current reporting period. The Group has changed its accounting policies as a result of adopting HKFRS 16 Leases.

The impact of the adoption of this standard and the new accounting policies are disclosed in note 1(a)(ii) below.

(ii) Effect of the adoption of HKFRS 16 Leases

The following tables show the impact on each individual line item. Line items that were not affected by the changes have not been included. The impact is explained in more details below.

Consolidated statement of financial position (extract)

	As at 31 December 2018 As originally presented *HK$'000*	Impact on initial adoption of HKFRS 16 *HK$'000*	As at 1 January 2019 Restated *HK$'000*
Non-current assets			
Right-of-use assets	–	73,862	73,862
Current liabilities			
Trade and other payables	584,845	(52)	584,793
Lease liabilities – current portion	–	31,892	31,892
Non-current liabilities			
Lease liabilities – non-current portion	–	43,267	43,267
Equity			
Deficits	(733,307)	(1,225)	(734,532)
Non-controlling interests	344,208	(20)	344,188

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Effect of the adoption of HKFRS 16 Leases (Continued)

	Year ended 31 December 2019 without adoption of HKFRS 16	Impact on adoption of HKFRS 16	Year ended 31 December 2019
	HK$'000	*HK$'000*	*HK$'000*
Consolidated income statement (extract)			
Cost of sales	532,078	(488)	531,590
Administrative expenses	97,442	(28,032)	69,410
Other operating expenses	137,647	26,862	164,509
Finance costs	100,402	1,473	101,875
Consolidated statement of cash flows (extract)			
Net cash from operating activities	47,878	32,442	80,320
Net cash from financing activities	201,054	(32,442)	168,612

HKFRS 16 Leases – Impact of adoption

HKFRS 16 replaces existing leases guidance, including HKAS 17 "Leases", HK(IFRIC) Interpretation 4 "Determining whether an Arrangement contains a Lease", Hong Kong (SIC) Interpretation 15 "Operating Leases – Incentives" and Hong Kong (SIC) Interpretation 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease" when it becomes effective.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Effect of the adoption of HKFRS 16 Leases (Continued)

HKFRS 16 Leases – Impact of adoption (Continued)

The adoption of HKFRS 16 from 1 January 2019 resulted in changes in accounting policies. The new accounting policies are set out below. In accordance with the transitional provisions in HKFRS 16, the comparative information for prior periods is not restated. The Group has recognised the cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption; and elect to apply the new standard with a number of practical expedients on transition. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 January 2019.

On adoption of HKFRS 16, the Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.509%.

HKFRS 16 Leases – Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases with a lease term of 12 months or less and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Effect of the adoption of HKFRS 16 Leases (Continued)

Reconciliation from lease commitments to lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed as at 31 December 2018 to lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	86,921
Less: Leases end within 12 months from the date of initial application	(1,146)
Less: Leases committed but not yet commenced as at 1 January 2019	(8,107)
	77,668
Discounted using the Group's weighted average incremental borrowing rate	(2,509)
Lease liabilities recognised as at 1 January 2019	75,159
Of which are:	
Lease liabilities – current portion	31,892
Lease liabilities – non-current portion	43,267
	75,159

1 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

At the date of the authorisation of these financial statements, the following amendments to standards were in issue, and applicable to the Group's financial statements for annual periods beginning on or after 1 January 2020, but not yet effective and have not been early adopted by the Group:

HKAS 1 and HKAS 8 (Amendments) (1)	Definition of Material
HKFRS 3 (Amendments) (1)	Definition of a Business
HKFRS 10 and HKAS 28 (Amendments) (2)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for the Group for annual periods beginning 1 January 2020

(2) The original effective date of 1 January 2016 has been postponed until further announcement by the HKICPA

The Group has commenced an assessment of the impact of adoption of the amendments to standards applicable to the Group's financial statements for annual periods beginning on or after 1 January 2020, but not yet effective and have not been early adopted by the Group, but is not in a position to state whether these amendments to standards would have a significant impact to its results of operations or financial position.

1 Principal accounting policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries (including those directly or indirectly held or held through Contractual Arrangements) made up to 31 December and also incorporate the Group's interests in associated companies on the basis set out in note 1(d) below. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identified net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

1 Principal accounting policies (Continued)

(b) Consolidation (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment (note 1(i)). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

PRC laws and regulations limit foreign ownership for enterprises engaging in certain business activities categorised as restricted foreign investment businesses ("Restricted Businesses"). The Group (and certain of its associated companies) operates certain business activities, such as advertising services, certain value-added telecommunications services and content production services which were initially/are classified as Restricted Businesses, by means of setting up domestic companies incorporated in the PRC by certain PRC nationals ("PRC Domestic Companies") through entering into a series of contractual agreements ("Contractual Agreements", the key provisions of the principal Contractual Agreements are set out on pages 189 to 190 (inclusive) of the consolidated financial statements), pursuant to which all economic benefits and risks arising from the business operation of such PRC Domestic Companies are transferred to the relevant subsidiaries of the Company ("Contractual Arrangements"). The Group does not have legal ownership in equity of these PRC Domestic Companies. Nevertheless, under the Contractual Agreements entered into among the relevant subsidiaries of the Company, PRC Domestic Companies and the PRC nationals who are the legal owners of PRC Domestic Companies, the Group is able to effectively control, recognise and receive substantially all the economic benefit of the businesses and operations of PRC Domestic Companies.

1 Principal accounting policies (Continued)

(b) Consolidation (Continued)

In summary, the Contractual Arrangements provide the Group through PRC Domestic Companies with, among other things:

- power to direct the relevant activities of the PRC Domestic Companies unilaterally;
- rights to variable returns from its involvement; and
- ability to use its power to affect its returns.

As a result, the Company regards the PRC Domestic Companies as subsidiaries of the Group under HKFRS. The Group has included the results of operations and financial position of the PRC Domestic Companies in the consolidated financial statements.

(c) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. The amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1 Principal accounting policies (Continued)

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies includes goodwill identified and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to "share of profits less losses of investments accounted for using the equity method" in the consolidated income statement.

1 Principal accounting policies (Continued)

(d) Associated companies (Continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain and losses on dilution of equity interest in associated companies are recognised in the consolidated income statement.

(e) Financial assets

The Group classifies its financial assets in the following categories: financial assets at amortised cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's financial assets at amortised cost comprise "trade and other receivables", "cash and cash equivalents" and "restricted cash" in the consolidated statement of financial position.

(ii) Financial assets at FVOCI

Financial assets at FVOCI are non-derivatives that are designated in this category or where an election is made to present fair value gains and losses on equity investments in other comprehensive income. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(iii) Financial assets at FVPL

Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

1 Principal accounting policies (Continued)

(e) Financial assets (Continued)

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at FVOCI are subsequently carried at fair value. Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method. Changes in the fair value of equity investments classified as financial assets at FVOCI are recognised in other comprehensive income. There is no subsequent reclassification of fair value gains or losses to profit or loss following the derecognition of the investments. Translation differences related to changes in financial assets at amortised cost are recognised in the consolidated income statement.

Dividends on equity investments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 1(l).

1 Principal accounting policies (Continued)

(f) Fixed assets

Fixed assets are stated at historical cost less depreciation and any impairment loss. Properties include leasehold land and buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Properties	over the shorter of the unexpired term of land lease or estimated useful lives of 50 years
Leasehold improvements	over the shorter of the lease terms or their useful lives of 5 years
Computer equipment	20% – 33$^1/_3$%
Outdoor media assets	10% – 20%
Other assets	10% – 33$^1/_3$%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/losses, net in the consolidated income statement.

(g) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the consolidated statement of financial position at their fair value. Changes in fair values of investment properties are recorded in the consolidated income statement.

1 Principal accounting policies (Continued)

(h) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Other intangible assets

Other intangible assets include concession rights, publishing rights, trademarks and domain names. Cost of other intangible assets are initially recognised and measured at cost. Other intangible assets with definite useful lives are amortised on a straight-line basis over the respective period of the operating right.

Principal annual rates are as follows:

Concession rights	5% – 14.3%
Publishing rights	6.7% – 20% or on an individual basis based on the volumes published in proportion to management's estimated total publishing volumes in respect of the publishing rights
Trademarks and domain names	12.5% – 20%

1 Principal accounting policies (Continued)

(i) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example, goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Leases

Until 31 December 2018, leases were classified as either operating leases or finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

1 Principal accounting policies (Continued)

(j) Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the commencement date less any lease incentives received; and
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly computer equipment and small items of office furniture.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. However, when the Group is an intermediate lessor, the sublease are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1 Principal accounting policies (Continued)

(l) Trade and other receivables

Trade and other receivables are classified as current assets if collection is expected in one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group assess on a forward-looking basis the expected credit losses associated. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applied the simplified approach permitted by HKFRS 9, which requires expected credit losses to be recognised from initial recognition of the receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in other operating expenses in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited against other operating expenses in the consolidated income statement.

(m) Employee benefits

(i) Pension obligations

The Group operates various post-employment schemes, including both defined contribution and defined benefit pension plans, and the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies, taking into account of the recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(i) Pension obligations (Continued)

For defined contribution plan, the contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

1 Principal accounting policies (Continued)

(m) Employee benefits (Continued)

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present values.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1 Principal accounting policies (Continued)

(o) Current and deferred income tax (Continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associated companies only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1 Principal accounting policies (Continued)

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Trade payables

Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

1 Principal accounting policies (Continued)

(s) Revenue recognition

Revenue from advertising is recognised over the period when the advertisement is placed.

Revenue from sale of goods is recognised on the transfer of control of goods, which generally coincides with the time when the goods are delivered to customers and title has passed. Sales are recorded net of estimated discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns.

Revenue from provision of services is recognised when the services are rendered. Revenue from provision of mobile Internet services is recorded based on the gross amounts billed to the mobile phone users given that the Group is the primary obligor to the users with respect to such services.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets, such as equity securities classified as financial assets at FVOCI, are included in other comprehensive income.

1 Principal accounting policies (Continued)

(t) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(2) income and expenses for each income statement are translated at average exchange rates; and
(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income. For those acquisitions made prior to 1 January 2005, goodwill and fair value adjustments arising on the acquisition are expressed in the acquiring company's functional currency.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

1 Principal accounting policies (Continued)

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the chief executive officer of the Group. The chief operating decision-maker is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

Segment profit/loss excludes other material items, such as provision for impairment, share of profits less losses of investments accounted for using the equity method and unallocated expenses. Unallocated expenses represent corporate expenses, including finance costs, and depreciation and amortisation.

Segment assets consist primarily of fixed assets, right-of-use assets, investment properties, goodwill and other intangible assets, financial assets at FVOCI, other non-current assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and pension obligations but exclude current and deferred taxation and all borrowings. Capital expenditure comprises additions to fixed assets, right-of-use assets and other intangible assets.

Sales are based on the country in which the business is operated. Total assets and capital expenditure are based on the location of the assets.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, foreign currency risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group. For performing this function, the Group may collect funding from cash generating subsidiaries and provide funding to those subsidiaries that require cash for their business operation.

(i) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Sales of products and provision of services are made to customers with appropriate credit history. For credit exposures to customers, management assesses the credit quality of the customers, taking into account its financial position, past experience and other factors. Management consider other receivables as low credit risk as counterparty have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed the expected credit losses for these receivables are immaterial under 12 months expected credit losses method. For banks and financial institutions, deposits are only placed with banks with good credit ratings to mitigate the risk arising from banks.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants (if any), to ensure the maintenance of sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31 December 2019			
Bank borrowings, including interest payable	**155,511**	**134,368**	**3,192,655**
Lease liabilities	**26,877**	**19,381**	**4,114**
Trade and other payables excluding non-financial liabilities	**432,392**	**–**	**–**
At 31 December 2018			
Bank borrowings, including interest payable	157,535	2,896,726	36,582
Trade and other payables excluding non-financial liabilities	442,834	–	–

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The key exposure of the Group to this risk originates from the interest-bearing borrowings and interest-bearing bank deposits. Borrowings issued at variable rates and bank deposits placed at variable rates expose the Group to cash flow interest rate risk.

At 31 December 2019, if interest rates on all borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been HK$31,741,000 higher/lower (2018: HK$29,371,000 higher/lower on pre-tax loss) due to higher/lower interest expense on floating rate borrowings.

At 31 December 2019, if interest rates on all interest-bearing bank deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been HK$3,782,000 lower/higher (2018: HK$3,903,000 lower/higher on pre-tax loss) due to higher/lower interest income earned on market interest rates.

Management monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

(iv) Foreign currency risk

The Group mainly operates in the Greater China region and is exposed to foreign currency exchange risk arising from various foreign currencies, primarily Renminbi ("RMB") and New Taiwan dollar ("NT$"). Foreign exchange risk on net investments in foreign currencies is managed primarily through borrowings denominated in the relevant foreign currencies.

Since Hong Kong dollar ("HK$") is pegged to United States dollar ("US$"), management considers that there is no significant foreign currency risk between these two currencies to the Group. A sensitivity analysis on the foreign currency exposure of HK$/US$ against RMB and NT$ is set out below.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Foreign currency risk (Continued)

For companies with HK$ as their functional currency

At 31 December 2019, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax loss for those companies for the year would have been HK$26,000 higher/lower (2018: HK$27,000 higher/lower on pre-tax loss), mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances and trade and other payables. Loss in 2019 is less sensitive to movement in currency exchange rate than that in 2018 because the amount of RMB denominated cash and bank balances held by operating companies in Hong Kong had decreased.

For companies with RMB as their functional currency

At 31 December 2019, if HK$/US$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for those companies for the year would have been HK$519,000 higher/lower (2018: HK$757,000 higher/lower on pre-tax loss), mainly as a result of foreign exchange losses/gains on translation of HK$/US$ denominated cash and bank balances, trade and other receivables and trade and other payables. Loss in 2019 is less sensitive to movement in currency exchange rate than that in 2018 because the amount of HK$/US$ denominated cash and bank balances held by operating companies in the PRC had decreased.

For companies with NT$ as their functional currency

At 31 December 2019, if HK$/US$ had weakened/strengthened by 5% against NT$ with all other variables held constant, pre-tax profit for those companies for the year would have been HK$25,000 lower/higher (2018: Same), mainly as a result of foreign exchange losses/gains on translation of HK$/US$ denominated cash and bank balances.

2 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Price risk

The Group is exposed to equity securities price risk, which arises from investments held by the Group and classified as financial assets at FVOCI in the consolidated statement of financial position.

At 31 December 2019, if the price of the equity securities had been 100 basis points higher/lower with all other variables held constant, the Group's equity would have been approximately HK$9,634,000 higher/lower (2018: HK$5,764,000 higher/lower) due to higher/lower fair value of financial assets at FVOCI.

(vi) Market risks sensitivity analysis

For the presentation of market risks (including interest rate risk, foreign currency risk and price risk) above, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of market risks that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period in income statement and total equity.

The effect that is disclosed assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial instruments from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are what-if forward-looking estimates. The sensitivity analysis is for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and losses.

2 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, raise or repay bank borrowings, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as principal of total borrowings divided by total capital. Total capital includes principal of total borrowings and total equity as shown in the consolidated statement of financial position. Principal of total borrowings include short-term bank loans and long-term bank loans as shown in notes 27 and 28 respectively to the consolidated statement of financial position.

The gearing ratios as at 31 December 2019 and 2018 were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Short-term bank loans (note 27)	**38,775**	38,130
Long-term bank loans (note 28)	**3,135,306**	2,899,016
Principal of total borrowings	**3,174,081**	2,937,146
Total equity	**176,884**	509
Total capital	**3,350,965**	2,937,655
Gearing ratio	**95%**	100%

The decrease in the gearing ratio in 2019 resulted primarily from the increase in fair value through other comprehensive income reserve, being partially offset by increase in bank loans.

2 Financial risk management (Continued)

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis refined to reflect the issuer's specific circumstances.

The carrying value less impairment provision of trade and other receivables, and trade and other payables are assumed to approximate their fair values. The fair value of long-term financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to the Group for similar financial instruments.

The financial instruments that are measured at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

2 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 December 2019				
Assets				
Investment properties	–	–	21,268	21,268
Financial assets at FVOCI				
– Equity securities (note)	74,174	–	881,685	955,859
Total assets	74,174	–	902,953	977,127
Total liabilities	–	–	–	–
At 31 December 2018				
Assets				
Investment properties	–	–	21,649	21,649
Financial assets at FVOCI				
– Equity securities (note)	68,680	–	378,304	446,984
Total assets	68,680	–	399,953	468,633
Total liabilities	–	–	–	–

Note:

Included in financial assets at FVOCI, the Group owns 8.26% (2018: 6.76%) and 4.13% (2018: 4.15%) equity interests in WeLab and Rubikloud respectively as at 31 December 2019.

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities related to defined benefit retirement obligations are contained in note 29 to the consolidated financial statements. Other key sources of estimation uncertainty are as follows:

(a) Critical accounting estimates and assumptions

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of the CGUs have been determined based on higher of value-in-use or fair value less costs of disposal. These calculations require the use of estimates (note 16).

Goodwill impairment charges of HK$6,468,000 arose in a CGU of the Advertising Group during the year (2018: No impairment charge arose in CGUs), resulting in the carrying amount of this CGU being written down to its recoverable amount. For sensitivity analysis, if a 1% annual sales growth rate is reduced from the original discounted cash flow assumption under the value-in-use calculations, the Group would have recognised a further goodwill impairment charge of HK$2,011,000 (2018: Nil). A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective CGU.

(ii) Estimated impairment of investments in associated companies

The Group tests whether investments in associated companies have suffered any impairment, when there is an indication of impairment, in accordance with the accounting policy stated in note 1(d). The Group's share of recoverable amounts of the associated companies has been determined based on value-in-use calculations. These calculations require the use of estimates such as annual sales growth rates, gross margin, growth rates and discount rates.

No impairment charge arose in the investments in associated companies during the year.

3 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the deductible temporary differences and the carry forward of unutilised tax losses and tax credits, the asset balance will be reduced and charged to the consolidated income statement.

(iv) Provision for sales return

Sales return provision is made by the Group upon the delivery of goods to the customers when the control of the goods are transferred to the customers. As at 31 December 2019, the provision for sales return of the Group amounted to HK$25,236,000 (2018: HK$27,406,000). This provision is recognised by the Group based on the best estimates by management with reference to past experience and other relevant factors. Any difference between this estimate and the actual return will impact the Group's results in the period in which the actual return is determined.

3 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(v) Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement or expected credit losses associated with credit risk. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The amount of provision made as at 31 December 2019 was HK$52,712,000 (2018: HK$59,643,000). If the financial conditions of customers of the Group were to change, resulting in an impairment or improvement in their abilities to make payments, either additional provision or reversal of previously made provision may be required.

(b) Critical judgements in applying the Group's accounting policy

(i) Consolidation of PRC Domestic Companies under Contractual Arrangements

Regarding the consolidation of PRC Domestic Companies under Contractual Arrangements, the directors of the Company assessed whether or not the Group has control over the PRC Domestic Companies based on whether or not the Group has power to direct the relevant activities of PRC Domestic Companies unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgement, the directors of the Company considered the Contractual Agreements. The key provisions of the principal Contractual Agreements are set out in pages 189 to 190 (inclusive) of the consolidated financial statements.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Contractual Agreements under the Contractual Arrangements have in substance enabled the Group to exercise full control over and enjoy all economic benefits of the PRC Domestic Companies, despite the absence of formal legal equity interest held by the Group therein. Accordingly, PRC Domestic Companies are accounted for as subsidiaries of the Group.

The Company is of the view that entering of the Contractual Arrangements is not in contravention of the relevant PRC laws and regulations currently in force. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the relevant subsidiaries of the Company's ability to enforce the rights under the Contractual Arrangements.

4 Segment information

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 186 to 190.

The following revenue is recognised during the year:

	2019 HK$'000	2018 HK$'000
– Provision of services to users using the mobile and Internet-based marketplace and provision of technical services for e-commerce/new retail operations	**9,038**	9,299
– Provision of mobile Internet services, online advertising and commercial enterprise solutions	**16,217**	19,267
– Provision of services of online community and social networking websites and related online advertising	**71,492**	73,143
– Magazine and book circulation, sales of advertising and other related products	**772,079**	784,552
– Advertising sales of outdoor media assets and provision of outdoor media services; provision of media sales, event production and marketing services	**47,289**	57,824
Consolidated revenue	**916,115**	944,085

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.

4 Segment information (Continued)

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

	Year ended 31 December 2019							
	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	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	9,038	16,217	71,492	96,747	772,079	47,289	819,368	916,115
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
	9,038	16,217	71,492	96,747	772,079	47,289	819,368	916,115
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)	(5,490)	1,557	3,093	(840)	58,248	(3,351)	54,897	54,057
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)
	(82,581)	(890)	–	(83,471)	2,884	(11,549)	(8,665)	(92,136)
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)
	2,902	1,861	(14)	4,749	1,043	380	1,423	6,172
Segment profit/(loss) before taxation	(85,169)	2,528	3,079	(79,562)	62,175	(14,520)	47,655	(31,907)
Unallocated corporate expenses								(154,988)
Loss before taxation								(186,895)
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								1
Total expenditure for non-current assets								138,343

Note (a):

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

4 Segment information (Continued)

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

	As at 31 December 2019							
	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*
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

4 Segment information (Continued)

The segment results for the year ended 31 December 2018 are as follows:

	Year ended 31 December 2018							
	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	9,299	19,267	74,231	102,797	784,552	58,548	843,100	945,897
Inter-segment revenue	–	–	(1,088)	(1,088)	–	(724)	(724)	(1,812)
Net revenue from external customers	9,299	19,267	73,143	101,709	784,552	57,824	842,376	944,085
Timing of revenue recognition:								
At a point in time	219	14,567	73,143	87,929	714,204	12,038	726,242	814,171
Over time	9,080	4,700	–	13,780	70,348	45,786	116,134	129,914
	9,299	19,267	73,143	101,709	784,552	57,824	842,376	944,085
Segment profit/(loss) before amortisation and depreciation	(7,183)	2,222	4,065	(896)	172,828	(1,880)	170,948	170,052
Amortisation and depreciation	–	(1,067)	(2,213)	(3,280)	(119,122)	(2,467)	(121,589)	(124,869)
Segment profit/(loss)	(7,183)	1,155	1,852	(4,176)	53,706	(4,347)	49,359	45,183
Other material item:								
Share of profits less losses of investments accounted for using the equity method	(83,901)	11	–	(83,890)	2,200	–	2,200	(81,690)
Finance costs:								
Finance income (note a)	4	2,102	10	2,116	4,477	884	5,361	7,477
Finance expenses (note a)	–	–	(88)	(88)	(2,787)	–	(2,787)	(2,875)
	4	2,102	(78)	2,028	1,690	884	2,574	4,602
Segment profit/(loss) before taxation	(91,080)	3,268	1,774	(86,038)	57,596	(3,463)	54,133	(31,905)
Unallocated corporate expenses								(125,407)
Loss before taxation								(157,312)
Expenditure for operating segment non-current assets	–	202	2,694	2,896	125,949	112	126,061	128,957
Unallocated expenditure for non-current assets								16
Total expenditure for non-current assets								128,973

Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK$4,109,000 and HK$3,000 were included in the finance income and finance expenses respectively.

4 Segment information (Continued)

The segment assets and liabilities at 31 December 2018 are as follows:

	As at 31 December 2018							
	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*
Segment assets	85,985	636,930	46,379	769,294	1,298,605	146,730	1,445,335	2,214,629
Investments accounted for using the equity method	1,249,762	5,386	–	1,255,148	4,313	–	4,313	1,259,461
Unallocated assets								97,801
Total assets								3,571,891
Segment liabilities	22,369	48,175	19,198	89,742	397,879	48,717	446,596	536,338
Unallocated liabilities:								
Corporate liabilities								77,113
Current taxation								21,532
Deferred taxation								14,326
Borrowings								2,922,073
Total liabilities								3,571,382

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.

4 Segment information (Continued)

The Group's businesses are operated in three main geographical areas:

Hong Kong – Mobile Internet Group and Publishing Group

Mainland China – E-Commerce Group, Mobile Internet Group, Publishing Group and Advertising Group

Taiwan and other Asian country – Social Network Group and Publishing Group

Revenue analysis (note a):

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**48,154**	53,125
Mainland China	**72,926**	87,903
Taiwan and other Asian country	**795,035**	803,057
	916,115	944,085

Assets analysis (note b):

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**8,942**	3,091
Mainland China	**1,284,371**	1,348,017
Taiwan and other Asian country	**720,723**	680,782
	2,014,036	2,031,890

Notes:

(a) Revenue is allocated based on the country in which the business is operated. There are no significant sales between the geographical segments.

(b) Non-current assets other than financial instruments, pension assets and deferred tax assets are allocated based on the location of the assets.

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 Limited ("Ule Holdings"), a material associated company of the Group, 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 Provision for impairment of goodwill

	2019 *HK$'000*	2018 *HK$'000*
Provision for impairment in respect of:		
Goodwill (note)	6,468	–

Note:

The provision for impairment of goodwill made for the year ended 31 December 2019 (2018: Nil) 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 CGU in the above-mentioned segment. The estimated recoverable value was determined based on higher of value-in-use calculation according to financial budgets approved by management or fair value less costs of disposal calculation.

7 Loss before net finance costs and taxation

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

	2019 *HK$'000*	2018 *HK$'000*
Charging:		
Depreciation of fixed assets (note 13)	18,214	18,879
Depreciation of right-of-use assets (note 14)	33,461	–
Amortisation of other intangible assets (note 17)	105,986	106,959
Staff costs (including directors' emoluments) (note 12)	354,579	368,789
Operating leases in respect of:		
– Land and buildings	–	32,827
– Other assets	–	4,541
Expenses related to short-term leases (included in cost of sales and administrative expenses)	5,392	–
Auditors' remuneration		
– Audit and audit related work		
– PricewaterhouseCoopers	6,087	6,761
– Other auditors	501	908
– Non-audit work		
– PricewaterhouseCoopers	35	35
– Other auditors	780	575
Provision for impairment of goodwill (notes 6 and 16)	6,468	–
Provision for impairment of trade receivables, net (note 23(c))	–	1,566
Provision for inventories	22,198	27,957
Write off of other receivables	–	33
Loss on disposal of subsidiaries (note a)	5,081	–
Exchange loss, net	5,209	6,224

7 Loss before net finance costs and taxation (Continued)

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

	2019 *HK$'000*	2018 *HK$'000*
Crediting:		
Write back of trade and other payables	8,357	10,364
Dividend income from financial assets at FVOCI	1,122	815
Gain on dilution of shareholding in associated companies (note b)	26,320	–
Gain on disposal of a former subsidiary (note c)	–	3,660
Gain on deconsolidation of subsidiaries (note 33(c))	–	3,626
Gain on disposal of an associated company	–	1,019
Fair value gain on investment properties (note 15)	189	–
Reversal of provision for impairment of trade receivables, net (note 23(c))	3,233	–
Recovery from a previously fully written off receivable of discontinued operations	–	2,736
Gain on disposal of fixed assets	68	146

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, one of the major shareholders of Ule Holdings ("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 2017, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in a former subsidiary ("Entity") which engages in outdoor media business at a consideration of RMB3,000,000 (approximately HK$3,660,000). The disposal of the entire equity interest in the Entity was completed in January 2018. Accordingly, a gain on disposal of approximately HK$3,660,000 was recognised in the consolidated income statement for the year ended 31 December 2018.

8 Finance costs, net

	2019	2018
	HK$'000	*HK$'000*
Interest and borrowing costs on bank loans	**(100,402)**	(72,098)
Interest costs on lease liabilities	**(1,473)**	–
Bank interest income	**3,111**	3,383
Interest income on loan to an associated company	**2,897**	–
	(95,867)	(68,715)

9 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Overseas taxation	**6,312**	11,596
Under-provision in prior years	**1,320**	1,125
Deferred taxation (note 30(c))	**1,996**	(8,257)
Taxation charge	**9,628**	4,464

9 Taxation (Continued)

Taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the applicable taxation rate of the home country of the Group is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Loss before taxation	**(186,895)**	(157,312)
Calculated at a taxation rate of 16.5% (2018: 16.5%)	**(30,838)**	(25,956)
Effect of different applicable taxation rates in other countries	**(211)**	913
Income not subject to taxation	**(21,864)**	(8,343)
Expenses not deductible for taxation purposes	**11,428**	12,064
Utilisation of previously unrecognised tax losses	**(2,771)**	(2,587)
Recognition of previously unrecognised temporary differences	**(3,977)**	(2,683)
Tax losses not recognised	**22,675**	18,191
Temporary differences not recognised	**(2,290)**	(555)
Tax effect of results of investments accounted for using the equity method	**31,547**	13,387
Withholding tax	**4,488**	6,093
Tax rate adjustment	**121**	(7,185)
Under-provision in prior years	**1,320**	1,125
Taxation charge	**9,628**	4,464

10 Dividends

No dividends had been paid or declared by the Company during the year (2018: 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$197,281,000 (2018: HK$158,623,000) and the weighted average of 3,958,510,558 (2018: 3,904,352,421) 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 2019 (2018: Same).

12 Staff costs, including directors' emoluments

	2019	2018
	HK$'000	*HK$'000*
Wages and salaries	**337,714**	350,951
Pension costs – defined contribution plans	**14,910**	15,266
Pension costs – defined benefit plans (note 29(b))	**1,955**	2,572
	354,579	368,789

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2018: two directors) whose emoluments are reflected in the analysis shown in note 39(a). The emoluments payable to the remaining four (2018: three) individuals during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**6,604**	5,114
Discretionary bonuses	**2,497**	1,969
Contributions to retirement benefit schemes	**324**	139
	9,425	7,222

The emoluments of these four (2018: three) individuals fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**2**	1

13 Fixed assets

	Properties HK$'000	Leasehold improve-ments HK$'000	Computer equipment HK$'000	Outdoor media assets HK$'000	Other assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2018	22,669	25,508	293,511	75,314	26,443	3,002	446,447
Exchange adjustment	55	(618)	(10,868)	(1,004)	(879)	(126)	(13,440)
Additions	–	5,896	13,826	–	1,667	–	21,389
Disposals and write-offs	–	(2,752)	(40,008)	(4,488)	(1,162)	–	(48,410)
Deconsolidation of subsidiaries (note 33(c))	–	–	(81)	(36,378)	(447)	–	(36,906)
Transfer to investment properties (note 15)	(15,465)	–	–	–	–	–	(15,465)
At 31 December 2018	7,259	28,034	256,380	33,444	25,622	2,876	353,615
At 1 January 2019	7,259	28,034	256,380	33,444	25,622	2,876	353,615
Exchange adjustment	25	150	(1,466)	(814)	(288)	(25)	(2,418)
Additions	–	3,497	9,573	–	1,556	–	14,626
Disposals and write-offs	–	(808)	(17,833)	–	(843)	–	(19,484)
Disposals of subsidiaries (note 33(b))	–	(958)	(328)	(5,479)	(464)	(2,851)	(10,080)
At 31 December 2019	7,284	29,915	246,326	27,151	25,583	–	336,259
Accumulated depreciation and impairment losses							
At 1 January 2018	12,814	19,170	270,688	72,920	24,308	–	399,900
Exchange adjustment	140	(418)	(10,159)	(965)	(877)	–	(12,279)
Depreciation charge for the year	483	3,539	12,272	1,669	916	–	18,879
Disposals and write-offs	–	(2,752)	(39,998)	(4,487)	(1,120)	–	(48,357)
Deconsolidation of subsidiaries (note 33(c))	–	–	(77)	(36,323)	(438)	–	(36,838)
Transfer to investment properties (note 15)	(11,987)	–	–	–	–	–	(11,987)
At 31 December 2018	1,450	19,539	232,726	32,814	22,789	–	309,318
At 1 January 2019	1,450	19,539	232,726	32,814	22,789	–	309,318
Exchange adjustment	(7)	(15)	(1,808)	(803)	(326)	–	(2,959)
Depreciation charge for the year	139	3,608	12,775	261	1,431		18,214
Disposals and write-offs	–	(808)	(17,814)	–	(820)	–	(19,442)
Disposals of subsidiaries (note 33(b))	–	(958)	(322)	(5,479)	(438)	–	(7,197)
At 31 December 2019	1,582	21,366	225,557	26,793	22,636	–	297,934
Net book value							
At 31 December 2019	5,702	8,549	20,769	358	2,947	–	38,325
At 31 December 2018	5,809	8,495	23,654	630	2,833	2,876	44,297

14 Leases

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

	31 December 2019 *HK$'000*	1 January 2019 *HK$'000*
Right-of-use assets		
Offices	41,893	58,845
Outdoor media assets	3,481	8,668
Retail stores	1,343	2,114
Warehouses	592	4,235
	47,309	73,862
Lease liabilities		
Current	26,877	31,892
Non-current	22,362	43,267
	49,239	75,159

The depreciation charges of right-of-use assets recognised in the consolidated income statement are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Offices	25,296	–
Outdoor media assets	2,991	–
Retail stores	1,017	–
Warehouses	4,157	–
	33,461	–

Notes:

(a) During the year ended 31 December 2019, additions to the right-of-use assets were HK$12,158,000.

(b) Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, except for those commonly found in lease agreements.

(c) The total cash outflow for leases in 2019 was HK$33,915,000.

15 Investment properties

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	21,649	–
Transfer from fixed assets (note 13)	–	3,478
Fair value adjustment upon transfer from fixed assets	–	19,500
Increase in fair value of investment properties	189	–
Exchange adjustment	(570)	(1,329)
At 31 December	21,268	21,649

Amounts recognised in profit or loss/other comprehensive income for investment properties:

	2019 *HK$'000*	2018 *HK$'000*
Rental income	1,481	784
Direct operating expenses from properties that generated rental income	(179)	(104)
Direct operating expenses from properties that did not generate rental income	–	–
Fair value gain recognised in profit or loss	189	–
Fair value gain recognised in other comprehensive income	–	14,625

Notes:

(a) During the year ended 31 December 2019, properties of HK$21,268,000 (2018: HK$21,649,000) have been fair valued by an independent external valuer.

(b) The fair values of the properties were arrived at by reference to the capitalised rental derived from the existing tenancy and the reversionary potential of the properties.

16 Goodwill

	2019 HK$'000	2018 HK$'000
Net book value, at 1 January	**578,363**	580,556
Exchange adjustment	**(1,039)**	(2,193)
Provision for impairment (note 6)	**(6,468)**	–
Net book value, at 31 December	**570,856**	578,363
At 31 December:		
Cost	**3,719,084**	3,800,932
Accumulated amortisation and impairment	**(3,148,228)**	(3,222,569)
Net book value	**570,856**	578,363

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to business and geographical segments.

A segment level goodwill allocation is presented as below:

	2019			2018		
	Mainland China HK$'000	Taiwan and other Asian country HK$'000	Total HK$'000	Mainland China HK$'000	Taiwan and other Asian country HK$'000	Total HK$'000
E-Commerce Group	43,192	–	43,192	44,369	–	44,369
Social Network Group	–	7,670	7,670	–	7,542	7,542
Publishing Group	–	501,891	501,891	–	501,881	501,881
Advertising Group	18,103	–	18,103	24,571	–	24,571
	61,295	509,561	570,856	68,940	509,423	578,363

The recoverable amounts of Social Network Group, Publishing Group and Advertising Group as at 31 December 2019 are determined based on value-in-use calculations (2018: Same). These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business segments in which the CGUs operate.

16 Goodwill (Continued)

Impairment test for goodwill (Continued)

The Group prepared the financial budgets reflecting current and prior year performances as well as market development expectations. There are a number of assumptions and estimates involved for the preparation of the budgets, the cash flow projections for the period covered by the approved budgets and the estimated terminal value at the end of the budget period. Key assumptions include annual sales growth rates, gross margin, growth rates and discount rates.

The growth rates and discount rates used for the value-in-use calculations for the CGUs are:

	E-Commerce Group		Social Network Group		Publishing Group		Advertising Group	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Growth rate[1]	**3%**	3%	**1%**	1%	**1%**	1%	**1%**	1%
Discount rate[2]	**25%**	25%	**10%**	10%	**9%**	9%	**12%**	11%

1 Weighted average growth rate used to extrapolate cash flows beyond the five-year budget period

2 Pre-tax discount rate applied to the cash flow projections

The weighted average growth rates used are consistent with the forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amount of E-Commerce Group as at 31 December 2019 is mainly based on the valuation of the associated companies, Ule Holdings and its subsidiaries ("Ule Holdings Group"), which is a material asset of the E-Commerce Group, prepared by management of Ule Holdings Group (2018: Same).

As at 31 December 2019, the valuation utilises pre-tax cash flow projections based on financial budget approved by management of Ule Holdings Group covering a one-year period and extrapolated forecasts for four years, which is discounted at a pre-tax rate of 25%. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3% per annum. Other key assumptions include annual sales growth rate and gross margin.

17 Other intangible assets

	Concession rights HK$'000	Publishing rights HK$'000	Trademarks and domain names HK$'000	Total HK$'000
Cost				
At 1 January 2018	10,657	202,115	4,711	217,483
Exchange adjustment	(395)	(6,183)	(188)	(6,766)
Additions	–	107,584	–	107,584
Disposals and write-offs	(1,710)	(98,453)	–	(100,163)
Deconsolidation of subsidiaries	(908)	–	–	(908)
At 31 December 2018	7,644	205,063	4,523	217,230
At 1 January 2019	7,644	205,063	4,523	217,230
Exchange adjustment	(173)	3,958	(92)	3,693
Additions	–	111,531	28	111,559
Disposals and write-offs	–	(102,272)	–	(102,272)
Disposals of subsidiaries	(1,545)	–	–	(1,545)
At 31 December 2019	5,926	218,280	4,459	228,665
Accumulated amortisation and impairment losses				
At 1 January 2018	10,657	72,838	4,337	87,832
Exchange adjustment	(395)	(4,035)	(180)	(4,610)
Amortisation charge for the year	–	106,878	81	106,959
Disposals and write-offs	(1,710)	(98,453)	–	(100,163)
Deconsolidation of subsidiaries	(908)	–	–	(908)
At 31 December 2018	7,644	77,228	4,238	89,110
At 1 January 2019	7,644	77,228	4,238	89,110
Exchange adjustment	(173)	3,144	(94)	2,877
Amortisation charge for the year	–	105,904	82	105,986
Disposals and write-offs	–	(102,272)	–	(102,272)
Disposals of subsidiaries	(1,545)	–	–	(1,545)
At 31 December 2019	5,926	84,004	4,226	94,156
Net book value				
At 31 December 2019	–	134,276	233	134,509
At 31 December 2018	–	127,835	285	128,120

Of the total amortisation charge, HK$105,904,000 (2018: HK$106,878,000) and HK$82,000 (2018: HK$81,000) were included in "cost of sales" and "other operating expenses" respectively.

18 Investments accounted for using the equity method

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

	2019 *HK$'000*	2018 *HK$'000*
Associated companies, as at 31 December	1,201,769	1,259,461

The share of net losses recognised in the consolidated income statement are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Associated companies, for the year ended 31 December		
– Share of operating losses	(106,907)	(81,690)
– Share of fair value losses on financial liabilities at FVPL (note ii)	(84,287)	–
	(191,194)	(81,690)

Interests in associated companies

Movements in interests in associated companies during the year:

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	1,259,461	1,333,592
Share of profits less losses		
– Share of operating losses	(106,907)	(81,690)
– Share of fair value losses on financial liabilities at FVPL (note ii)	(84,287)	–
Share of revaluation surplus through other comprehensive income from an associated company	104,970	11,515
Share of increase in share capital of an associated company (note 7(b))	41,184	–
Carrying value of certain interests in associated companies disposed of (note 7(b))	(14,864)	–
Dividend paid	(2,693)	(3,259)
Exchange adjustment	4,905	(697)
At 31 December	1,201,769	1,259,461

18 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

Notes:

(i) The Group had a commitment up to RMB155 million for providing marketing resources to Ule Holdings Group, for development and promotion of the business and services of the associated company, in particular its mobile business and services. Except for the above, there are no material contingent liabilities relating to the Group's interests in these associated companies and no material contingent liabilities of the entities themselves.

(ii) 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 has shared the losses from the fair value change of the financial liabilities amounting to HK$84,287,000 in the consolidated income statement.

(iii) The Group considered Ule Holdings Group as material associated companies. Ule Holdings Group is a strategic investment for the Group's e-commerce/new retail business development and investment.

Set out below are the summarised financial information of Ule Holdings Group which is accounted for using the equity method:

Summarised consolidated statement of financial position as at 31 December

	2019 *HK$'000*	2018 *HK$'000*
Current		
Cash and cash equivalents	**336,912**	133,816
Other current assets	**173,341**	120,407
Total current assets	**510,253**	254,223
Financial liabilities (excluding trade and other payables, and provision)	**–**	–
Other current liabilities	**(610,209)**	(570,039)
Total current liabilities	**(610,209)**	(570,039)
Non-current		
Assets	**22,050**	314,516
Net liabilities	**(77,906)**	(1,300)

18 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

Notes (Continued):

(iii) Set out below are the summarised financial information of Ule Holdings Group which is accounted for using the equity method (Continued):

Summarised consolidated statement of comprehensive income for the year ended 31 December

	2019 *HK$'000*	2018 *HK$'000*
Revenue	**342,964**	206,151
Depreciation and amortisation	**(6,970)**	(17,134)
Interest income	**4,288**	1,952
Loss and post-tax loss from continuing operations	**(436,676)**	(174,935)
Other comprehensive income	**261,970**	27,071
Total comprehensive expense	**(174,706)**	(147,864)
Dividend received from associated companies	**–**	–

18 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

Notes (Continued):

(iii) Set out below are the summarised financial information of Ule Holdings Group which is accounted for using the equity method (Continued):

In June 2016, the shareholders of Ule Holdings 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 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 2019, 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 2019 and 2018, 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 2019, 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 2019. All the outstanding options will be expired in October 2027.

18 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

Notes (Continued):

(iii) Set out below are the summarised financial information of Ule Holdings Group which is accounted for using the equity method (Continued):

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interests in Ule Holdings Group:

	2019 *HK$'000*	2018 *HK$'000*
Net (liabilities)/assets as at 1 January	(1,300)	146,564
Increase in share capital of an associated company	98,100	–
Loss for the year	(436,676)	(174,935)
Revaluation surplus of financial assets at FVOCI	249,903	27,081
Exchange adjustment	12,067	(10)
Net liabilities as at 31 December	(77,906)	(1,300)
Interests in associated companies (42.00%) (2018: 42.52%)	(32,721)	(553)
Fair value adjustments	1,274,029	1,289,133
Accumulated amortisation of other intangible assets	(59,614)	(50,257)
Carrying value as at 31 December	1,181,694	1,238,323

(iv) Set out below are the aggregated financial information of the Group's share of the remaining associated companies:

	2019 *HK$'000*	2018 *HK$'000*
Carrying values	20,075	21,138
Profit from continuing operations	1,811	2,048
Other comprehensive expense	(182)	(693)
Total comprehensive income	1,629	1,355

The list of the principal associated companies of the Group at 31 December 2019 is set out on pages 186 to 190.

19 Financial instruments by category

	Financial assets at amortised cost *HK$'000*	Financial assets at FVOCI *HK$'000*	Total *HK$'000*
Assets as per consolidated statement of financial position			
31 December 2019			
Financial assets at FVOCI (note 20)	**–**	**955,859**	**955,859**
Long-term receivables (note 21)	**1,841**	**–**	**1,841**
Trade and other receivables excluding prepayments	**471,454**	**–**	**471,454**
Cash and cash equivalents (note 25)	**371,776**	**–**	**371,776**
Restricted cash (note 24)	**7,598**	**–**	**7,598**
	852,669	**955,859**	**1,808,528**
31 December 2018			
Financial assets at FVOCI (note 20)	–	446,984	446,984
Long-term receivables (note 21)	3,428	–	3,428
Trade and other receivables excluding prepayments	517,897	–	517,897
Cash and cash equivalents (note 25)	386,064	–	386,064
Restricted cash (note 24)	5,282	–	5,282
	912,671	446,984	1,359,655

19 Financial instruments by category (Continued)

	Other financial liabilities HK$'000
Liabilities as per consolidated statement of financial position	
31 December 2019	
Short-term bank loans (note 27)	38,775
Long-term bank loans (note 28)	3,124,086
Lease liabilities (note 14)	49,239
Trade and other payables excluding non-financial liabilities	433,795
	3,645,895
31 December 2018	
Short-term bank loans (note 27)	38,130
Long-term bank loans (note 28)	2,883,943
Trade and other payables excluding non-financial liabilities	448,277
	3,370,350

20 Financial assets at fair value through other comprehensive income

	2019 HK$'000	2018 HK$'000
At 1 January	446,984	–
Impact on initial adoption of HKFRS 9	–	357,642
Capital investment	–	129,914
Transfer from an associated company	225,036	–
Net revaluation surplus/(deficit)	284,040	(25,687)
Capital reduction	(140)	–
Exchange adjustment	(61)	(14,885)
At 31 December	955,859	446,984
Less: Non-current portion	(955,859)	(446,984)
Current portion	–	–

20 Financial assets at fair value through other comprehensive income (Continued)

The Group's financial assets at FVOCI include the following:

	2019 *HK$'000*	2018 *HK$'000*
Listed equity securities	74,174	68,680
Unlisted equity securities	881,685	378,304
	955,859	446,984

Financial assets at FVOCI are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
US$	858,224	346,713
Euro	615	2,163
NT$	22,846	29,428
HK$	74,174	68,680
	955,859	446,984

Note:

During the year ended 31 December 2019, certain financial assets at FVOCI of HK$858,839,000 (2018: HK$348,876,000) have been fair valued by independent external valuers. As at 31 December 2019, the respective fair value of those financial assets at FVOCI was arrived by reference to the subscription price of latest round of financing of equity interests.

21 Other non-current assets

	2019 *HK$'000*	2018 *HK$'000*
Long-term receivables	**1,841**	3,428

The maximum exposure to credit risk on long-term receivables at the reporting date is their carrying values.

22 Inventories

	2019 *HK$'000*	2018 *HK$'000*
Merchandise	**12,388**	12,890
Finished goods	**70,918**	73,060
Work in progress	**18,629**	17,248
	101,935	103,198

The cost of inventories recognised as an expense and included in the cost of sales amounted to HK$241,049,000 (2018: HK$252,580,000).

23 Trade and other receivables

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables (note c)	**240,964**	274,998
Prepayments, deposits and other receivables (note d)	**256,030**	269,612
	496,994	544,610

(a) 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.

23 Trade and other receivables (Continued)

(b) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
HK$	**11,050**	15,146
RMB	**217,057**	239,769
NT$	**268,887**	289,695
	496,994	544,610

(c) As at 31 December 2019 and 2018, the ageing analyses of the Group's trade receivables were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Current	**115,901**	116,765
31 – 60 days	**56,212**	70,587
61 – 90 days	**34,441**	42,009
Over 90 days	**87,122**	105,280
	293,676	334,641
Less: Provision for impairment	**(52,712)**	(59,643)
	240,964	274,998
Represented by:		
Receivables from associated companies	**160**	–
Receivables from third parties	**240,804**	274,998
	240,964	274,998

The Group applied the simplified approach which requires expected credit losses to be recognised from initial recognition of the receivables. As at 31 December 2019, the amount of provision for impairment of trade receivables was HK$52,712,000 (2018: HK$59,643,000).

23 Trade and other receivables (Continued)

(c) (Continued)

As at 31 December 2019, trade receivables of HK$34,410,000 (2018: HK$45,637,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analyses of these trade receivables were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Overdue by:		
Up to 3 months	27,700	37,189
Over 3 months	6,710	8,448
	34,410	45,637

Movements in the provision for impairment of trade receivables were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Balance as at 1 January	59,643	63,177
(Reversal of provision)/provision for receivable impairment, net (note 7)	(3,233)	1,566
Amounts recovered in respect of brought forward balance	–	(2,226)
Amounts written off during the year	(962)	(395)
Disposal of subsidiaries	(1,665)	–
Deconsolidation of subsidiaries	–	(208)
Exchange adjustment	(1,071)	(2,271)
Balance as at 31 December	52,712	59,643

23 Trade and other receivables (Continued)

(c) (Continued)

As at 31 December 2019 and 2018, the ageing analyses of the Group's impaired trade receivables were as follows:

	2019	2018
	HK$'000	*HK$'000*
Over 90 days	**52,712**	59,643

The creation of provision for impaired receivables has been included in other operating expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(d) The Group's prepayments, deposits and other receivables as at 31 December 2019 included amounts due from associated companies and related companies of HK$177,296,000 (2018: HK$187,666,000) and HK$10,717,000 (2018: HK$14,091,000) respectively. The amounts due from related companies included the balances due from the substantial shareholders of the Company, CKHH and Cranwood Company Limited ("Cranwood"), and related companies beneficially owned by these substantial shareholders amounted to HK$4,216,000 (2018: HK$3,626,000) in aggregate, and the balances due from non-controlling interests of subsidiaries of the Group amounted to HK$6,501,000 (2018: HK$10,465,000).

The amounts due from associated companies and related companies represent advance/prepayment to or expenses paid on behalf of these companies. These balances are unsecured, interest-free and repayable on demand.

The Group does not hold any collateral as security.

24 Restricted cash

At 31 December 2019, NT$24,882,000 (approximately HK$6,433,000) (2018: NT$17,622,000 (approximately HK$4,481,000)) was 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, and RMB1,049,000 (approximately HK$1,165,000) (2018: RMB702,000 (approximately HK$801,000)) was pledged in favour of the courts for legal proceedings in Mainland China.

The maximum exposure to credit risk at the reporting date is its carrying value.

25 Cash and cash equivalents

	2019	2018
	HK$'000	*HK$'000*
Cash on hand	**1,124**	1,085
Cash at bank	**370,652**	384,979
	371,776	386,064

Cash and cash equivalents are denominated in the following currencies:

	2019	2018
	HK$'000	*HK$'000*
HK$	**8,806**	15,275
US$	**7,879**	8,783
RMB	**159,266**	172,049
NT$	**195,576**	189,695
Others	**249**	262
	371,776	386,064
Maximum exposure to credit risk	**370,652**	384,979

26 Trade and other payables

	2019 *HK$'000*	2018 *HK$'000*
Trade payables (note b)	134,229	137,971
Other payables and accruals (note c)	299,566	310,306
Contract liabilities	132,308	136,568
	566,103	584,845

The contract liabilities primarily relate to the advance consideration received from customers, or the Group has unconditional right to considerations before the goods or services are delivered.

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

(b) As at 31 December 2019 and 2018, the ageing analyses of the Group's trade payables were as follows:

	2019 *HK$'000*	2018 *HK$'000*
Current	64,878	50,987
31 – 60 days	7,219	14,601
61 – 90 days	5,192	8,627
Over 90 days	56,940	63,756
	134,229	137,971
Represented by:		
Payables to third parties	134,229	137,971

26 Trade and other payables (Continued)

(c) The Group's other payables and accruals as at 31 December 2019 included amounts due to associated companies and related companies of HK$1,123,000 (2018: HK$1,153,000) and HK$55,308,000 (2018: HK$55,340,000) respectively. The amounts due to related companies included the balances due to related companies beneficially owned by the substantial shareholders of the Company, CKHH and Cranwood amounted to HK$54,904,000 (2018: HK$53,215,000) in aggregate, and the balances due to non-controlling interests of subsidiaries of the Group amounted to HK$404,000 (2018: HK$2,125,000).

The amounts due to associated companies represent expenses paid on behalf of the Group by these companies and the amounts due to related companies arose from purchases of goods and services. These balances are unsecured, interest-free and repayable on demand.

(d) The carrying amounts of the Group's trade and other payables, and contract liabilities are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
HK$	78,803	81,336
RMB	106,922	117,716
NT$	380,378	385,793
	566,103	584,845

(e) Contract liabilities of HK$136,568,000 included in the balance as at 1 January 2019 were recognised as revenue during the year ended 31 December 2019.

As the contracts are for periods of one year or less or the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

27 Short-term bank loans

	2019 HK$'000	2018 HK$'000
Unsecured	38,775	38,130

The bank loans are denominated in NT$.

These short-term bank loans are interest-bearing at prevailing market rates. Their carrying amounts approximate their fair values.

28 Long-term bank loans

	2019 HK$'000	2018 HK$'000
Unsecured	3,135,306	2,899,016
Less: Transaction costs arising on bank facility	(11,220)	(15,073)
	3,124,086	2,883,943
Less: Current portion	(11,633)	(38,130)
	3,112,453	2,845,813
The principal amount of bank loans are repayable:		
Within one year	11,633	38,130
In the second year	31,020	2,826,569
In the third to fifth year	3,092,653	34,317
Wholly repayable within 5 years	3,135,306	2,899,016
The principal amount of bank loans are denominated in the following currencies:		
HK$	3,050,000	2,777,000
NT$	85,306	122,016
	3,135,306	2,899,016

These long-term bank loans are interest-bearing at prevailing market rates ranging from Taiwan Twelve-Month Time Deposit Floating Rate plus 0.535% to Hong Kong Interbank Offered Rate ("HIBOR") plus 0.65% (2018: Taiwan Two-Year Time Deposit Floating Rate of ChungHwa Post Co., Ltd. plus 0.555%-0.605% to HIBOR plus 0.6%) per annum. Their carrying amounts approximate their fair values.

29 Pension assets and obligations

The Group operates certain defined benefit pension plans in Hong Kong and Taiwan. These pension plans are either final salary defined benefit plans or with minimum guaranteed return rate on plan assets. The assets of the funded plans are generally held independently of the Group's assets in separate trustee-administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in Hong Kong and Taiwan are valued by Towers Watson Hong Kong Limited and KPMG Advisory Services Co., Ltd. respectively.

(a) The pension assets/obligations recognised in the consolidated statement of financial position are determined as follows:

	2019	2018
	HK$'000	*HK$'000*
Present value of funded obligations (note c)	**59,562**	68,242
Fair value of plan assets (note d)	**(46,202)**	(41,702)
	13,360	26,540
Represented by:		
Pension assets	**(2,745)**	(2,066)
Pension obligations	**16,105**	28,606
	13,360	26,540
Remeasurement of defined benefit plans recognised in the consolidated statement of comprehensive income ("SOCI") during the year	**(1,526)**	(2,144)
Cumulative remeasurement of defined benefit plans recognised in the SOCI	**(17,839)**	(16,313)

29 Pension assets and obligations (Continued)

(b) The amounts recognised in the consolidated income statement are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Current service cost	1,624	2,071
Net interest on net defined benefit liability	322	491
Others	9	10
Total, included in staff costs (note 12)	1,955	2,572

(c) Movements in present value of the funded obligations in current year are as follows:

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	68,242	79,202
Exchange adjustment	939	(1,789)
Current service cost	1,624	2,071
Interest cost	1,027	1,246
Actuarial loss/(gain):		
– experience adjustment	(1,588)	(2,127)
– financial assumption changes	2,628	853
Payment from plan	(3,108)	(11,214)
Payment by entity	(10,202)	–
At 31 December (note a)	59,562	68,242

29 Pension assets and obligations (Continued)

(d) Movements in fair value of the plan assets in current year are as follows:

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**41,702**	47,724
Exchange adjustment	**459**	(702)
Interest income	**705**	755
Return on plan assets, excluding amounts included in interest income	**2,566**	870
Contribution by employer	**3,887**	4,279
Payment from plan	**(3,108)**	(11,214)
Others	**(9)**	(10)
At 31 December (note a)	**46,202**	41,702

The estimated contribution by the Group for 2020 will amount to approximately HK$1,976,000.

29 Pension assets and obligations (Continued)

(e) Fair value of the plan assets is analysed as follows:

	2019 *Percentage*	2018 *Percentage*
Equity instruments		
Consumer markets and manufacturing	5%	5%
Energy and utilities	1%	2%
Financial institutions and insurance	6%	5%
Telecommunications and information technology	8%	8%
Others	9%	8%
	29%	28%
Debt instruments		
US Treasury notes	1%	1%
Government and government guaranteed notes	4%	5%
Financial institutions notes	2%	1%
Others	2%	1%
	9%	8%
Cash and cash equivalents	62%	64%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2019 *Percentage*	2018 *Percentage*
Aaa/AAA	8%	2%
Aa1/AA+	34%	44%
Aa2/AA	2%	2%
Aa3/AA-	3%	2%
A1/A+	7%	8%
A2/A	9%	8%
Other investment grades	23%	24%
No investment grades	14%	10%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market price.

29 Pension assets and obligations (Continued)

(e) Fair value of the plan assets is analysed as follows (Continued):

The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	1.0% – 1.5%	1.375% – 2.4%
Rate of salary increases	3.0% – 4.0%	3.0% – 4.0%

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2019. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets.

The long-term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligations is 12.5 years.

Expected maturity analysis of undiscounted pension benefits is as follows:

At 31 December 2019	Within next 5 years	Beyond 5 years but within 10 years	Beyond 10 years but within 15 years	Beyond 15 years but within 20 years	Beyond 20 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Pension benefits	17,791	17,701	18,243	19,545	10,270	83,550

29 Pension assets and obligations (Continued)

(f) The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 2.5%	Increase by 2.6%
Rate of salary increases	0.25%	Increase by 2.1%	Decrease by 2.1%

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

30 Deferred taxation

(a) Deferred tax assets

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**48,369**	39,999
Exchange adjustment	**778**	(1,457)
(Charged)/credited to consolidated income statement (note c)	**(3,380)**	9,827
At 31 December	**45,767**	48,369
Amount to be recovered after more than one year	**1,307**	1,448

30 Deferred taxation (Continued)

(b) Deferred tax liabilities

	2019 HK$'000	2018 HK$'000
At 1 January	14,326	8,566
Exchange adjustment	(85)	(685)
Charged to other comprehensive expense	–	4,875
(Credited)/charged to consolidated income statement (note c)	(1,384)	1,570
At 31 December	12,857	14,326
Amount to be payable after more than one year	12,857	14,326

(c) Deferred taxation (charged)/credited to consolidated income statement

	2019 HK$'000	2018 HK$'000
Deferred tax assets (note a)	(3,380)	9,827
Deferred tax liabilities (note b)	1,384	(1,570)
Deferred taxation (charged)/credited to consolidated income statement (note 9)	(1,996)	8,257

30 Deferred taxation (Continued)

(d) Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year

Deferred tax assets

	Provisions		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**46,921**	39,157	**1,448**	842	**48,369**	39,999
Exchange adjustment	**757**	(1,427)	**21**	(30)	**778**	(1,457)
(Charged)/credited to consolidated income statement	**(3,218)**	9,191	**(162)**	636	**(3,380)**	9,827
At 31 December	**44,460**	46,921	**1,307**	1,448	**45,767**	48,369

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses as at 31 December 2019 of HK$845,950,000 (2018: HK$956,271,000) that can be carried forward against future taxable income. Losses amounting to HK$368,744,000 will be expired from 2020 to 2029, and HK$477,206,000 has no expiry terms.

Deferred tax liabilities

	Unremitted earnings		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 January	**5,168**	3,798	**9,158**	4,768	**14,326**	8,566
Exchange adjustment	**155**	(200)	**(240)**	(485)	**(85)**	(685)
Charged to other comprehensive expense	**–**	–	**–**	4,875	**–**	4,875
(Credited)/charged to consolidated income statement	**(1,431)**	1,570	**47**	–	**(1,384)**	1,570
At 31 December	**3,892**	5,168	**8,965**	9,158	**12,857**	14,326

30 Deferred taxation (Continued)

(e) Deferred income tax liabilities of HK$35,242,000 (2018: HK$36,226,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are to be reinvested. Unremitted earnings totalled HK$660,648,000 as at 31 December 2019 (2018: HK$676,815,000).

31 Share capital

Company – Authorised

	Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
At 31 December 2019 and 2018	5,000,000,000	500,000

Company – Issued and fully paid

	Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
At 1 January 2018	3,893,270,558	389,328
Issuance of shares (note)	65,240,000	6,524
At 31 December 2018	3,958,510,558	395,852
At 1 January 2019 and 31 December 2019	3,958,510,558	395,852

Note:

On 31 October 2018, 65,240,000 ordinary shares were allotted at price of HK$1.916 per share.

32 Own shares held

	No. of shares	*HK$'000*
At 1 January 2018 and 31 December 2018	3,043,771	6,244
At 1 January 2019 and 31 December 2019	3,043,771	6,244

33 Notes to the consolidated statement of cash flows

(a) Reconciliation of loss before taxation to net cash inflow from operations

	2019 *HK$'000*	2018 *HK$'000*
Loss before taxation	**(186,895)**	(157,312)
Interest expenses and borrowing costs on bank loans	**101,875**	72,098
Bank interest income	**(6,008)**	(3,383)
Amortisation and depreciation	**157,661**	125,838
Dividend income on financial assets at FVOCI	**(1,122)**	(815)
Share of profits less losses of investments accounted for using the equity method		
– Share of operating losses	**106,907**	81,690
– Share of fair value losses on financial liabilities at FVPL	**84,287**	–
Provision for impairment of goodwill (note 16)	**6,468**	–
(Reversal of provision)/provision for impairment of trade receivables, net	**(3,233)**	1,566
Provision for inventories	**22,198**	27,957
Write off of other receivables	**–**	33
Write back of trade and other payables	**(8,357)**	(10,364)
Gain on disposal of fixed assets	**(68)**	(146)
Loss on disposal of subsidiaries (note b)	**5,081**	–
Gain on disposal of a former subsidiary (note 7(c))	**–**	(3,660)
Gain on disposal of an associated company	**–**	(1,019)
Gain on deconsolidation of subsidiaries (note c)	**–**	(3,626)
Gain on dilution of shareholding in associated companies (note 7(b))	**(26,320)**	–
Gain on termination of a lease agreement	**(45)**	–
Fair value gain on financial asset at FVPL (note 5)	**(84,287)**	–
Fair value gain on investment properties (note 15)	**(189)**	–
Adjusted operating profit before working capital changes	**167,953**	128,857
Decrease in long-term receivables	**1,587**	69
Increase in inventories	**(20,935)**	(9,665)
Decrease/(increase) in trade and other receivables	**41,978**	(31,049)
(Decrease)/increase in trade and other payables	**(9,673)**	31,954
Decrease in pension obligations, net	**(11,654)**	(2,794)
Exchange adjustment	**417**	(3,974)
Net cash inflow from operations	**169,673**	113,398

33 Notes to the consolidated statement of cash flows (Continued)

(b) Disposal of subsidiaries

For the year ended 31 December 2019	*HK$'000*
Net assets disposed of:	
Fixed assets (note 13)	2,883
Right-of-use assets	4,913
Trade and other receivables	11,290
Cash and bank balances	7,696
Trade and other payables	(943)
Taxation payable	(529)
Lease liabilities (note d)	(5,202)
Non-controlling interests	(6,979)
Exchange reserve	(2,398)
	10,731
Loss on disposal of subsidiaries (note a)	(5,081)
	5,650
Represented by:	
Cash	5,650
Analysis of net cash outflow in respect of disposal of subsidiaries:	
Cash received	5,650
Cash and bank balances disposed of	(7,696)
Net cash outflow in respect of disposal of subsidiaries	(2,046)

33 Notes to the consolidated statement of cash flows (Continued)

(c) Deconsolidation of subsidiaries

For the year ended 31 December 2018	*HK$'000*
Net liabilities deconsolidated of:	
Fixed assets (note 13)	68
Trade and other receivables	274
Cash and bank balances	42
Trade and other payables	(10,279)
Taxation payable	(1,103)
Non-controlling interests	4,400
Exchange reserve	(3,304)
Net liabilities written back	(9,902)
Write off of amounts due from the subsidiaries	6,276
Gain on deconsolidation of subsidiaries (note a)	(3,626)
Analysis of net cash outflow in respect of deconsolidation of subsidiaries:	
Cash and bank balances deconsolidated of	42

For the year ended 31 December 2018, due to the deconsolidation of subsidiaries of the Advertising Group engaging in outdoor media business, the net liabilities of these subsidiaries were written back and the amounts due from these subsidiaries were written off.

33 Notes to the consolidated statement of cash flows (Continued)

(d) Analysis of changes in financing during the year

	2019 *HK$'000*	2018 *HK$'000*
Bank loans		
At 1 January	2,937,146	2,882,975
New bank loans	3,380,478	174,646
Loan repayments	(3,145,671)	(115,923)
	234,807	58,723
Exchange adjustment	2,128	(4,552)
At 31 December	3,174,081	2,937,146

	2019 *HK$'000*	2018 *HK$'000*
Lease liabilities		
At 1 January	75,159	–
New leases entered into during the year	11,978	–
Principal elements of lease payments	(32,442)	–
Termination of lease agreement	(735)	–
Disposal of subsidiaries (note b)	(5,202)	–
	(26,401)	–
Exchange adjustment	481	–
At 31 December	49,239	–

34 Pledge of assets

Save as disclosed in note 24, the Group had no pledge of assets as at 31 December 2019 (2018: Nil).

35 Commitments

(a) Capital commitments

The Group's maximum capital commitments as at 31 December 2019 are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Capital injection for an investment		
– Contracted but not provided for	–	127

(b) Commitments under operating leases

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018	
	Land and buildings *HK$'000*	Other assets *HK$'000*
No later than one year	33,056	3,239
Later than one year and no later than five years	45,567	5,059
Later than five years	–	–
	78,623	8,298

At 31 December 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases of investment properties as follows:

	2019 *HK$'000*	2018 *HK$'000*
No later than one year	958	969
Later than one year and no later than two years	1,615	1,633
Later than two years and no later than three years	1,631	1,659
Later than three years and no later than four years	1,658	1,676
Later than four years and no later than five years	865	1,702
Later than five years	–	888
	6,727	8,527

36 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in notes 23 and 26 to the consolidated financial statements, is set out below:

(a) Sales of goods and services

	2019 *HK$'000*	2018 *HK$'000*
Provision of services to		
– CKHH and its subsidiary	414	1,523
– Associated companies	10,907	11,627
– A subsidiary of non-controlling interests of a subsidiary	11	86
Interest income on loan to an associated company	2,897	–

All the transactions with related parties were entered into in accordance with terms agreed by the relevant parties.

Year-end balances due from these related companies arising from sales of goods and services are shown in note 23(d).

(b) Purchase of goods and services

	2019 *HK$'000*	2018 *HK$'000*
Purchase of services payable to		
– Non-controlling interests of a subsidiary and their subsidiaries	3,415	5,144
Rental payable to		
– Non-controlling interests of subsidiaries and their subsidiaries	556	1,154
Service fees payable to		
– CKHH and its subsidiaries	3,636	3,512

36 Related party transactions (Continued)

(b) Purchase of goods and services (Continued)

In December 2017, the Company had entered into a new facility agreement with six independent financial institutions for the term and revolving loan facilities amounting to HK$3,200 million. A substantial shareholder of the Company granted guarantee to the Company at a guarantee fee equivalent to 0.5% per annum for aggregate principal amount outstanding under this loan facility. During the year ended 31 December 2019, guarantee fee amounted to approximately HK$14,396,000 was paid by the Company (2018: HK$13,599,000) to the substantial shareholder.

In December 2019, the Company had entered into a new facility agreement with eight independent financial institutions for the term and revolving loan facilities amounting to HK$3,700 million. A substantial shareholder of the Company granted guarantee to the Company at a guarantee fee equivalent to 0.5% per annum for aggregate principal amount outstanding under this loan facility. During the year ended 31 December 2019, guarantee fee amounted to approximately HK$209,000 was paid by the Company (2018: Nil) to the substantial shareholder.

All the transactions with related parties were entered into in accordance with terms agreed by the relevant parties.

Year-end balances due to these related companies arising from purchase of goods and services are shown in note 26(c).

(c) Key management compensation

Management considers remuneration to all key management of the Group has already been disclosed in note 39(a).

37 Subsequent events

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which this 2019 Annual Report is authorised for issue.

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

38 Statement of financial position of the Company

(a) Statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	c	1,864,894	1,586,707
A financial asset at fair value through other comprehensive income	d	74,174	68,680
		1,939,068	1,655,387
Current assets			
Amounts due from subsidiaries	c	1,469,040	1,328,313
Other receivables	e	4,288	3,663
Cash and cash equivalents	f	434	435
		1,473,762	1,332,411
Current liabilities			
Amounts due to subsidiaries	c	744,970	762,473
Other payables	g	1,397	5,790
		746,367	768,263
Net current assets		727,395	564,148
Total assets less current liabilities		2,666,463	2,219,535
Non-current liabilities			
Long-term bank loans	h	3,038,780	2,761,927
Net liabilities		(372,317)	(542,392)

38 Statement of financial position of the Company (Continued)

(a) Statement of financial position of the Company (Continued)

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	31	**395,852**	395,852
Deficits	b	**(761,925)**	(932,000)
Own shares held	32	**(6,244)**	(6,244)
Total deficit		**(372,317)**	(542,392)

Yeung Kwok Mung
Director

38 Statement of financial position of the Company (Continued)

(b) Movement of reserve of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	4,100,475	23,565	–	776	(4,965,656)	(840,840)
Loss for the year	–	–	–	–	(153,318)	(153,318)
Revaluation deficit of a financial asset at FVOCI	–	–	(56,318)	–	–	(56,318)
Issuance of shares	118,476	–	–	–	–	118,476
At 31 December 2018	4,218,951	23,565	(56,318)	776	(5,118,974)	(932,000)
At 1 January 2019	4,218,951	23,565	(56,318)	776	(5,118,974)	(932,000)
Profit for the year	–	–	–	–	164,581	164,581
Revaluation surplus of a financial asset at FVOCI	–	–	5,494	–	–	5,494
At 31 December 2019	4,218,951	23,565	(50,824)	776	(4,954,393)	(761,925)

The profit of the Company is HK$164,581,000 (2018: loss of HK$153,318,000) and is included in determining the loss attributable to equity holders of the Company in the consolidated income statement.

As at 31 December 2019, the Company has no distributable reserves as calculated under the Companies Law of the Cayman Islands (2018: Nil).

38 Statement of financial position of the Company (Continued)

(c) Interests in subsidiaries

	2019 *HK$'000*	2018 *HK$'000*
Investments at cost – unlisted shares	2,259,451	2,259,451
Less: Provision for impairment	(394,557)	(672,744)
	1,864,894	1,586,707

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand except HK$647,840,000 (2018: HK$665,117,000) bearing the effective interest rate of 0.49% (2018: 0.55%) per annum for the year ended 31 December 2019.

The carrying values of the amounts due from and to subsidiaries approximate their fair values.

The list of the principal subsidiaries of the Company at 31 December 2019 is set out on pages 186 to 190.

(d) A financial asset at fair value through other comprehensive income

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	68,680	–
Capital investment	–	124,998
Net revaluation surplus/(deficit)	5,494	(56,318)
At 31 December	74,174	68,680
Less: Non-current portion	(74,174)	(68,680)
Current portion	–	–

The Company's financial asset at FVOCI includes listed equity security.

The Company's financial asset at FVOCI is denominated in HK$.

As at 31 December 2019, the fair value of that financial asset at FVOCI was arrived by reference to the quoted price in active market for identical asset (level 1).

38 Statement of financial position of the Company (Continued)

(e) Other receivables

(i) The carrying values of the Company's other receivables approximate their fair values.

(ii) The carrying amounts of the Company's other receivables are denominated in HK$.

(f) Cash and cash equivalents

	2019 *HK$'000*	2018 *HK$'000*
Cash at bank	434	435

Cash and cash equivalents are denominated in the following currencies:

	2019 *HK$'000*	2018 *HK$'000*
HK$	73	72
US$	361	363
	434	435
Maximum exposure to credit risk	434	435

(g) Other payables

(i) The carrying values of the Company's other payables approximate their fair values.

(ii) The carrying amounts of the Company's other payables are denominated in HK$.

38 Statement of financial position of the Company (Continued)

(h) Long-term bank loans

	2019	2018
	HK$'000	*HK$'000*
Unsecured	3,050,000	2,777,000
Less: Transaction costs arising on bank facility	(11,220)	(15,073)
	3,038,780	2,761,927
Less: Current portion	–	–
	3,038,780	2,761,927
The principal amount of bank loans are repayable:		
In the second year	–	2,777,000
In the third to fifth year	3,050,000	–
Wholly repayable within 5 years	3,050,000	2,777,000

The principal amount of bank loans are denominated in HK$.

These long-term bank loans are interest-bearing at prevailing market rates of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.65% (2018: HIBOR plus 0.6%) per annum. Their carrying amounts approximate their fair values.

38 Statement of financial position of the Company (Continued)

(i) Financial instruments by category

	Financial assets at amortised cost	
	2019	2018
	HK$'000	*HK$'000*
Assets as per statement of financial position		
Cash and cash equivalents (note f)	**434**	435
Other receivables excluding prepayments	**3,737**	3,114
Amounts due from subsidiaries (note c)	**1,469,040**	1,328,313
	1,473,211	1,331,862

	Other financial liabilities	
	2019	2018
	HK$'000	*HK$'000*
Liabilities as per statement of financial position		
Long-term bank loans (note h)	**3,038,780**	2,761,927
Other payables (note g)	**1,397**	5,790
Amounts due to subsidiaries (note c)	**744,970**	762,473
	3,785,147	3,530,190

38 Statement of financial position of the Company (Continued)

(j) Financial risk factor

Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2019			
Bank borrowings, including interest payable	**103,355**	**101,958**	**3,147,847**
Amounts due to subsidiaries	**744,970**	**–**	**–**
At 31 December 2018			
Bank borrowings, including interest payable	78,833	2,845,081	–
Amounts due to subsidiaries	762,473	–	–
Other payables	366	–	–

39 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2019 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive director					
Mr. Yeung Kwok Mung	50	5,672	–	387	6,109
Independent non-executive directors and members of Audit Committee					
Mr. James Sha	100	–	–	–	100
Mr. Ip Yuk-keung, Albert	100	–	–	–	100
Dr. Fong Chi Wai, Alex	–	–	–	–	–
Ex-independent non-executive director and ex-member of Audit Committee					
Mr. Cheong Ying Chew, Henry	100	–	–	–	100
Non-executive director and member of Audit Committee					
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100
Non-executive directors					
Mr. Frank John Sixt	50	–	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50
Total	550	5,672	–	387	6,609

39 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2018 is set out below:

	Fees HK$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive director					
Mr. Yeung Kwok Mung	50	5,544	–	376	5,970
Ex-executive director					
Ms. Mak Soek Fun, Angela	33	3,273	–	193	3,499
Independent non-executive directors and members of Audit Committee					
Mr. Cheong Ying Chew, Henry	100	–	–	–	100
Mr. James Sha	100	–	–	–	100
Mr. Ip Yuk-keung, Albert	100	–	–	–	100
Non-executive director and member of Audit Committee					
Mrs. Lee Pui Ling, Angelina	100	–	–	–	100
Non-executive directors					
Mr. Frank John Sixt	50	–	–	–	50
Ms. Chang Pui Vee, Debbie	50	–	–	–	50
Total	583	8,817	–	569	9,969

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for the loss of office (2018: Nil).

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2019 (2018: Nil).

39 Benefits and interests of directors (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

40 Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 12 March 2020.

Principal Subsidiaries and Associated Companies

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held
	tom.com enterprises Limited	British Virgin Islands ("BVI"), limited liability company	Holding of the trademarks and domain name	1 ordinary share of US$1 each	100%
	TOM Group International Limited	Hong Kong, limited liability company	Management of strategic investments of the Group in Greater China	Ordinary shares HK$10	100%
	E-Commerce Group				
	Shanghai Eachnet Network Technology Services Co. Ltd.	Mainland China, limited liability company	Operation of a mobile and Internet-based C2C marketplace in Mainland China	Registered capital US$35,263,334	90.002%
#	Shanghai Ule Network Technology Co., Ltd.	Mainland China, limited liability company	Owning and operating a mobile and Internet-based e-marketplace in Mainland China	Registered capital US$70,165,000	37.80%
	TOM E-Commerce Limited	BVI, limited liability company	Investment holding in Mainland China	1 ordinary share of US$1 each	90.002%
#	Ule Holdings Limited	BVI, limited liability company	Investment holding	867,471,000 ordinary shares of US$0.00001 each 144,577,000 series A-1 and 29,104,573 series A-2 preferred shares of US$0.00001 each	37.80%
#	Ule International Co., Limited	Hong Kong, limited liability company	Investment holding, owning and operating a website of www.ule.com.hk	Ordinary shares HK$2	37.80%
#	China Post (Anhui) Network Technology Co., Ltd.	Mainland China, limited liability company	Owning and operating a website of www.ulenp.com, which is an e-marketplace specifically for agricultural products in Mainland China	Registered capital RMB15,000,000	37.80%

Principal Subsidiaries and Associated Companies

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held
	Mobile Internet Group				
@	Beijing Lei Ting Wan Jun Network Technology Limited	Mainland China, limited liability company	Provision of Internet content services, online advertising services and telecom value-added services in Mainland China	Registered capital RMB100,000,000	90.002%
@	Beijing Lei Ting Wu Ji Network Technology Company Limited	Mainland China, limited liability company	Provision of mobile Internet services in Mainland China	Registered capital RMB10,000,000	90.002%
@	Beijing LingXun Interactive Science Technology and Development Company Limited	Mainland China, limited liability company	Provision of mobile Internet services in Mainland China	Registered capital RMB10,000,000	90.002%
	Beijing Super Channel Network Limited	Mainland China, limited liability company	Provision of management services in Mainland China	Registered capital US$13,000,000	90.002%
	ECLink Electronic Network Systems (Shenzhen) Co., Ltd.	Mainland China, limited liability company	Software, electronics, computer network system development and provision of enterprise solutions in Mainland China	Registered capital US$3,000,000	100%
@	Shenzhen Freenet Information Technology Company Limited	Mainland China, limited liability company	E-mail service provider and provision of mobile Internet services in Mainland China	Registered capital RMB23,000,000	90.002%
	TOM Big Data Analytics Investments Company Limited	Hong Kong, limited liability company	Investment holding	Ordinary share HK$1	90.002%
	TOM Online Inc.	Cayman Islands, limited liability company	Investment holding	4,259,654,528 ordinary shares of HK$0.01 each	90.002%
	TOM Online Payment Investments Company Limited	BVI, limited liability company	Investment holding	1 ordinary share of US$1 each	90.002%
	Social Network Group				
	Pixnet Digital Media Corporation Limited	Taiwan, limited liability company	Supply service of online community and social networking websites in Taiwan	6,324,451 ordinary shares of NT$10 each	82.03%
	Publishing Group				
	Bookworm Club Co., Ltd.	Taiwan, limited liability company	Distribution and retailing of books and magazines in Taiwan	2,015,000 ordinary shares of NT$10 each	82.87%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and fully paid up share capital/ registered capital	Effective interest held
	Publishing Group (Continued)				
	Cite (H.K.) Publishing Group Limited	Hong Kong, limited liability company	Retailing and distribution of books and magazines in Hong Kong	Ordinary shares HK$4,200,000	69.07%
	Cite (Malaysia) SDN. BHD.	Malaysia, limited liability company	Publishing and distribution of books and magazines in Malaysia	400,000 ordinary shares of RM1 each	73.14%
	Cité Publishing Holding Limited	BVI, limited liability company	Investment holding in Taiwan	4,979,402 ordinary shares of US$0.01 each	82.89%
	Cité Publishing Limited	Taiwan, limited liability company	Publishing of books and magazines in Taiwan	85,289,205 ordinary shares of NT$10 each	82.87%
	Home Media Group Ltd.	Cayman Islands, limited liability company	Investment holding, advertising sales and distribution of publications in Taiwan	986,922,602 ordinary shares of US$0.00001 each	82.87%
	Nong Nong Magazine Co., Ltd.	Taiwan, limited liability company	Publishing and distribution of magazines and advertising sales in Taiwan	2,500,000 ordinary shares of NT$10 each	66.30%
	Advertising Group				
@	Changchun TOM New Star Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	60%
	Fujian TOM Seeout Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB5,000,000	70%
	Kunming TOM-Fench Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
	Sichuan TOM Southwest Outdoor Media Company Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB3,000,000	70%
@	Guangdong Yangcheng Advertising Company Limited	Mainland China, limited liability company	Advertising services, event management and media buying business in Mainland China	Registered capital RMB5,000,000	80%
	YCP Advertising Limited	Hong Kong, limited liability company	Advertising services, event management and media buying business in Mainland China and Hong Kong	Ordinary shares HK$10	80%

\# Associated company
@ PRC Domestic Companies under Contractual Arrangements (Note)

Note:

As mentioned in note 1(b) to the consolidated financial statements, the Company regards the PRC Domestic Companies under the Contractual Arrangements as subsidiaries of the Group under HKFRS.

The Contractual Agreements principally comprise of (i) Option Agreements, (ii) Loan Agreements, (iii) Exclusive Technical and Consultancy Services Agreements, (iv) Equity Pledge Agreements, (v) Business Operation Agreements and (vi) Irrevocable Power of Attorneys.

Key provisions of the principal Contractual Agreements are as follows:

(i) Option Agreements – Certain subsidiaries of the Company ("Intermediate Holding Companies") entered into option agreements with the PRC Domestic Companies and the PRC nationals under which the relevant PRC nationals have granted exclusive options to the relevant Intermediate Holding Companies to purchase all or part of the relevant PRC nationals' interests in the relevant PRC Domestic Companies concerned exercisable at the discretion of the relevant Intermediate Holding Companies to the extent permitted by PRC laws at the purchase price as set out in the relevant option agreements such as an amount equivalent to the registered capital contributed to the relevant PRC Domestic Companies.

(ii) Loan Agreements – Pursuant to the loan agreements between the relevant Intermediate Holding Companies and the relevant PRC nationals, the relevant Intermediate Holding Companies have provided long-term loans to the relevant PRC nationals to be invested exclusively in the relevant PRC Domestic Companies. The loans will become due and payable only in the form of transfer of all of the relevant PRC nationals' equity interests in the relevant PRC Domestic Companies to the relevant Intermediate Holding Companies or their nominee(s), including in the circumstances when (i) current restrictions on foreign ownership in the PRC Domestic Companies are lifted under the PRC laws; (ii) the relevant PRC nationals resign from or are removed by the relevant Intermediate Holding Companies or its affiliated entities from office; (iii) the relevant PRC nationals commit a criminal offence; (iv) any third party raises against the relevant PRC nationals a claim over RMB500,000; or (v) the relevant PRC nationals die or become incapacitated.

(iii) Exclusive Technical and Consultancy Services Agreements – The PRC Domestic Companies have entered into exclusive technical and consultancy services agreements with certain subsidiaries of the Company ("Service Providers") pursuant to which the relevant PRC Domestic Companies agreed to engage the relevant Service Providers to provide certain technical and consultancy services to the relevant PRC Domestic Companies on an exclusive basis (unless otherwise allowed under such contract) in exchange for service fees, which amount to substantially all of the net profit of the PRC Domestic Companies.

(iv) Equity Pledge Agreements – Pursuant to the equity pledge agreements between the relevant Service Providers and the relevant PRC nationals, the relevant PRC nationals have pledged to the relevant Service Providers all their respective interest in the relevant PRC Domestic Companies for the performance of the payment obligations of such PRC Domestic Companies under the relevant Exclusive Technical and Consultancy Services Agreements with such Service Providers mentioned in paragraph (iii) above. No consideration is payable under each of the equity pledge agreements.

(v) Business Operation Agreements – Pursuant to the business operation agreements between the relevant PRC Domestic Companies, the relevant Service Providers and the relevant PRC nationals, the relevant Service Providers have agreed to act as guarantors for any obligations undertaken by the relevant PRC Domestic Companies and, in return, the relevant PRC Domestic Companies have agreed to pledge all of their respective accounts receivables and assets in favour of the relevant Service Providers. In addition, the relevant PRC Domestic Companies and the relevant PRC nationals have agreed to appoint individuals designated by the Service Providers to the management team of the relevant PRC Domestic Companies and to refrain from, unless with the prior written consent of the relevant Service Providers or their nominees, taking certain actions that may materially affect the operations of the relevant PRC Domestic Companies, including lending or assuming any obligation from any their party or sell or transfer any assets to any their parties. No consideration is payable under each of the business operations agreements.

(vi) Irrevocable Power of Attorneys – Pursuant to the relevant irrevocable Power of Attorneys, the relevant PRC nationals have granted the authorisations to a representative designated by the Company to exercise all of the shareholders' right with respect to the shareholders' interests in the PRC Domestic Companies.

The above table lists out the principal subsidiaries and associated companies of the Group as at 31 December 2019 which, in the opinion of the directors of the Company, either principally affect the results and net assets of the Group or provide potential opportunities to the business development of the Group. To give a complete list of the particulars of all the subsidiaries and associated companies of the Group would, in the opinion of the directors of the Company, be of excessive length.

Except for tom.com enterprises Limited, TOM Group International Limited and TOM Online Inc. which are directly held by the Company, the interests in the remaining subsidiaries and associated companies are held indirectly.

Definitions

"Associates"	has the meaning ascribed to it in the Listing Rules
"Alexa"	means Alexa Internet, Inc., a company incorporated in the United States
"B2B"	means business-to-business
"Board"	means the board of Directors
"China Post"	means China Post Group Limited, a state-owned enterprise of the PRC, 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 the most recently discovered coronavirus
"Director(s)"	means the director(s) of the Company
"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

"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" or "PRC"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Media Business"	means two report able operating segments of Publishing Group and Advertising Group
"Model Code"	means Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Rubikloud"	means Rubikloud Technologies Inc., a corporation incorporated in Canada
"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 PRC 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

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