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TOM Group Limited

TOM集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

**(I) PROFIT WARNING FOR THE YEAR ENDED 31 DECEMBER 2020;
AND
(II) POTENTIAL IMPAIRMENT LOSS ON
INVESTMENT IN AN ASSOCIATE OF THE COMPANY**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Based on the preliminary consideration of the unaudited consolidated management accounts of the Group for FY2020 and other currently available information, the Group is expected to incur the Expected Net Loss of approximately HK\$1,063.9 million for FY2020. The Expected Net Loss mainly arises from recognition of an Impairment Loss of approximately HK\$1,015.9 million arising from the Company's investment in Ule, an associate of the Company. The Impairment Loss relates to the carrying value of the Company's investment in Ule, and is non-cash in nature and accordingly, will not have any material adverse impact on the Group's current and future cash flow and daily operations.

The information contained in this announcement (i) is based on data and information which are still being audited by the auditor of the Group; and (ii) has not been reviewed by the Audit Committee of the Company, and therefore may be subject to change. Shareholders and potential investors are advised to refer to the details of the Group's financial performance for FY2020 to be disclosed in the annual results announcement which is expected to be published by the Company in March 2021. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by TOM Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary consideration of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 ("**FY2020**") and other currently available information, the Group is expected to record a net loss

attributable to equity holders of the Company (the “**Expected Net Loss**”) of approximately HK\$1,063.9 million for FY2020, which is materially higher as compared to the Group’s net loss attributable to equity holders of the Company of HK\$197.3 million for the corresponding period in 2019. The Expected Net Loss is mainly attributable to the recognition of a potential impairment loss (the “**Impairment Loss**”) in the amount of approximately HK\$1,015.9 million arising from the Company’s investment in Ule Holdings Limited (“**Ule**”), which is an associate held through TOM E-Commerce Limited, a non-wholly owned subsidiary of the Company in which the Company holds approximately 90.002% effective interest.

IMPAIRMENT LOSS ON THE COMPANY’S INVESTMENT IN ULE

Ule is an associate of the Company, in which the Company indirectly holds approximately 42.0% equity interest as at the date of this announcement. As at the date of this announcement, Ule is also owned as to approximately 43.7% by China Post and approximately 14.3% by other investors. The Group considers Ule to be a strategic investment of the Company and a material asset of the Company’s e-commerce group (which is one of the five business segments of the Company). As an associate of the Company, the investment in Ule and the related intangible assets have been recorded in the financial statements of the Group as “investments accounted for using the equity method”, “goodwill” and “trade and other receivables”.

Based on currently available information, there are various factors which are relevant to the recognition of the Impairment Loss. These include underperformance of Ule in the second half of 2020 and ongoing discussions between Ule’s shareholders regarding the determination of Ule’s operating targets going forward and the future financials of Ule’s business.

In light of the foregoing, the Company has applied an expected cash flow approach for the investment value of Ule, which reflects the weighted average of the possible outcomes arising from different options for the strategic development of Ule which are the subject of ongoing discussions between Ule’s shareholders, and has preliminarily assessed that an Impairment Loss should be recognised for FY2020. As the Impairment Loss is only accounting related adjustment for FY2020 and non-cash in nature, it will not have any material adverse impact on the Group’s current and future cash flow and daily operations.

GENERAL

As the Company is still in the process of preparing and finalising its consolidated financial statements for FY2020, the information contained in this announcement is only based on a preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Group for FY2020 and other information which is currently available.

The information contained in this announcement (i) is based on data and information which are still being audited by the auditor of the Group; and (ii) has not been reviewed by the Audit Committee of the Company, and therefore may be subject to change. The information may also be subject to adjustment following further review and finalisation of the consolidated financial statements of the Group for FY2020 by the Board. Accordingly, the final consolidated financial statements of the Group for FY2020 and related information may be different from that contained in this announcement. Shareholders and potential investors are advised to refer to the details of the Group’s financial performance for FY2020 to be disclosed in the annual results announcement which is expected to be published by the Company in March 2021.

The Company will keep the Shareholders and potential investors informed of any material development in connection with the above matters by way of periodic announcement(s) and/or further announcement(s) as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
TOM GROUP LIMITED
Yeung Kwok Mung
Executive Director

Hong Kong, 24 February 2021

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

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

Executive Director:
Mr. Yeung Kwok Mung

Non-executive Directors:
Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Angelina Lee

Independent non-executive Directors:
Mr. James Sha
Dr. Alex Fong
Mr. Chan Tze Leung

Alternate Director:
Mr. Dominic Lai
(Alternate to Mr. Frank Sixt)