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TOM Group Limited

TOM集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2019 HK\$'000	2018 HK\$'000
Consolidated revenue	916,115	944,085
Loss before dilution gain, deconsolidation gain and goodwill impairment ⁽¹⁾	(110,880)	(92,223)
Goodwill impairment ⁽²⁾	(6,468)	–
Loss attributable to equity holders of the Company	(197,281)	(158,623)
Loss per share (HK cents)	(4.98)	(4.06)
Net assets value	176,884	509

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

(2) 2019: Goodwill impairment of HK\$6,468,000 was related to a traditional advertising operation under the Advertising Group

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.

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 results announcement 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 the Group's 2019 Annual Report.

Disclaimer:

Non-GAAP measures

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

**AUDITED CONSOLIDATED RESULTS
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	2	<u>916,115</u>	<u>944,085</u>
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	<u>84,287</u>	<u>–</u>
Provision for impairment of goodwill	3	<u>106,634</u> <u>(6,468)</u>	<u>(6,907)</u> <u>–</u>
		100,166	(6,907)
Share of profits less losses of investments accounted for using the equity method	4		
– Share of operating losses		(106,907)	(81,690)
– Share of fair value losses on financial liabilities at fair value through profit or loss		<u>(84,287)</u>	<u>–</u>
		<u>(191,194)</u>	<u>(81,690)</u>
Loss before net finance costs and taxation	6	(91,028)	(88,597)
Finance income		6,008	3,383
Finance costs		<u>(101,875)</u>	<u>(72,098)</u>
Finance costs, net	7	<u>(95,867)</u>	<u>(68,715)</u>
Loss before taxation		(186,895)	(157,312)
Taxation	8	<u>(9,628)</u>	<u>(4,464)</u>
Loss for the year		<u>(196,523)</u>	<u>(161,776)</u>
Attributable to:			
– Non-controlling interests		<u>758</u>	<u>(3,153)</u>
– Equity holders of the Company		<u>(197,281)</u>	<u>(158,623)</u>
Loss per share attributable to equity holders of the Company during the year			
Basic and diluted	10	<u>HK(4.98) cents</u>	<u>HK(4.06) cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	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	–	14,625
Revaluation surplus/(deficit) of financial assets at fair value through other comprehensive income	284,040	(25,687)
Share of revaluation surplus through other comprehensive income from an associated company	104,970	11,515
	<u>390,536</u>	<u>2,597</u>
– Item that may be subsequently reclassified to income statement:		
Exchange translation differences	320	(38,075)
	<u>390,856</u>	<u>(35,478)</u>
Total comprehensive income/(expense) for the year	<u>194,333</u>	<u>(197,254)</u>
Total comprehensive income/(expense) for the year attributable to:		
– Non-controlling interests	<u>41,257</u>	<u>(5,267)</u>
– Equity holders of the Company	<u>153,076</u>	<u>(191,987)</u>

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		38,325	44,297
Right-of-use assets		47,309	–
Investment properties		21,268	21,649
Goodwill		570,856	578,363
Other intangible assets		134,509	128,120
Investments accounted for using the equity method	4	1,201,769	1,259,461
Financial assets at fair value through other comprehensive income		955,859	446,984
Deferred tax assets		45,767	48,369
Pension assets		2,745	2,066
Other non-current assets		1,841	3,428
		<u>3,020,248</u>	<u>2,532,737</u>
Current assets			
Inventories		101,935	103,198
Trade and other receivables	11	496,994	544,610
Restricted cash		7,598	5,282
Cash and cash equivalents		371,776	386,064
		<u>978,303</u>	<u>1,039,154</u>
Current liabilities			
Trade and other payables	12	566,103	584,845
Taxation payable		14,502	21,532
Long-term bank loans – current portion		11,633	38,130
Short-term bank loans		38,775	38,130
Lease liabilities – current portion		26,877	–
		<u>657,890</u>	<u>682,637</u>
Net current assets		<u>320,413</u>	<u>356,517</u>
Total assets less current liabilities		<u>3,340,661</u>	<u>2,889,254</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

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

**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					Non-controlling interests HK\$'000	Total equity/(deficit) HK\$'000
Capital 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		
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	(343,699)	344,208	509
Change in accounting policies (note 1(b))	-	-	-	-	-	-	-	-	-	-	(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	(344,924)	344,188	(736)
Comprehensive income:													
Loss for the year	-	-	-	-	-	-	-	-	-	-	(197,281)	758	(196,523)
Other comprehensive income:													
Remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-	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:													
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,734)	(9,734)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,979)	(6,979)
Transfer to general reserve	-	-	-	-	-	5,025	-	-	-	(5,025)	-	-	-
Transactions with equity holders	-	-	-	-	-	5,025	-	-	-	(5,025)	-	(16,713)	(16,713)
Balance at 31 December 2019	395,852	(6,244)	3,744,457	(75,079)	776	170,872	480,550	14,625	681,956	6,096	(191,848)	368,732	176,884

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
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 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	6,524	-	118,476	-	-	-	-	-	-	-	-	125,000	-	125,000
Transactions with equity holders:														
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(9,121)	(9,121)
Deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

This financial information is extracted from the Group's audited consolidated financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The consolidated financial statements have been prepared under the historical cost convention except that financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), defined benefit plan assets, investment properties and investments accounted for using the equity method, of which the retained interests are remeasured to the fair value at the date when the Group lost control in the subsidiaries which became investments accounted for using the equity method of the Group.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

In preparing these consolidated financial statements, the Group has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. 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.

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.

(a) 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(b) below.

1 Basis of preparation and accounting policies (Continued)

(b) 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.

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

Consolidated income statement (extract)

	Year ended 31 December 2019 without adoption of HKFRS 16 HK\$'000	Impact on adoption of HKFRS 16 HK\$'000	Year ended 31 December 2019 HK\$'000
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

2 Turnover, revenue and segment information

The Group has five reportable operating segments:

- E-Commerce Group – provision of services to users using the mobile and Internet-based marketplace and provision of technical services for e-commerce/new retail operations.
- Mobile Internet Group – provision of mobile Internet services, online advertising and commercial enterprise solutions.
- Social Network Group – provision of services of online community and social networking websites and related online advertising.
- Publishing Group – magazine and book publishing and circulation, sales of advertising and other related products.
- Advertising Group – advertising sales of outdoor media assets and provision of outdoor media services; provision of media sales, event production and marketing services.

Sales between segments are carried out at arm's length.

2 Turnover, revenue and segment information (Continued)

The segment results for the year ended 31 December 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.

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

2 Turnover, revenue and 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	<u>9,299</u>	<u>19,267</u>	<u>73,143</u>	<u>101,709</u>	<u>784,552</u>	<u>57,824</u>	<u>842,376</u>	<u>944,085</u>
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	<u>9,080</u>	<u>4,700</u>	<u>-</u>	<u>13,780</u>	<u>70,348</u>	<u>45,786</u>	<u>116,134</u>	<u>129,914</u>
	<u>9,299</u>	<u>19,267</u>	<u>73,143</u>	<u>101,709</u>	<u>784,552</u>	<u>57,824</u>	<u>842,376</u>	<u>944,085</u>
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	<u>-</u>	<u>(1,067)</u>	<u>(2,213)</u>	<u>(3,280)</u>	<u>(119,122)</u>	<u>(2,467)</u>	<u>(121,589)</u>	<u>(124,869)</u>
Segment profit/(loss)	<u>(7,183)</u>	<u>1,155</u>	<u>1,852</u>	<u>(4,176)</u>	<u>53,706</u>	<u>(4,347)</u>	<u>49,359</u>	<u>45,183</u>
Other material item:								
Share of profits less losses of investments accounted for using the equity method	<u>(83,901)</u>	<u>11</u>	<u>-</u>	<u>(83,890)</u>	<u>2,200</u>	<u>-</u>	<u>2,200</u>	<u>(81,690)</u>
Finance costs:								
Finance income (note a)	4	2,102	10	2,116	4,477	884	5,361	7,477
Finance expenses (note a)	<u>-</u>	<u>-</u>	<u>(88)</u>	<u>(88)</u>	<u>(2,787)</u>	<u>-</u>	<u>(2,787)</u>	<u>(2,875)</u>
	<u>4</u>	<u>2,102</u>	<u>(78)</u>	<u>2,028</u>	<u>1,690</u>	<u>884</u>	<u>2,574</u>	<u>4,602</u>
Segment profit/(loss) before taxation	<u>(91,080)</u>	<u>3,268</u>	<u>1,774</u>	<u>(86,038)</u>	<u>57,596</u>	<u>(3,463)</u>	<u>54,133</u>	<u>(31,905)</u>
Unallocated corporate expenses								<u>(125,407)</u>
Loss before taxation								<u>(157,312)</u>
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								<u>16</u>
Total expenditure for non-current assets								<u>128,973</u>

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.

2 Turnover, revenue and 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.

3 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 cash-generating unit 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.

4 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 b)	(84,287)	–
	(191,194)	(81,690)

4 Investments accounted for using the equity method (Continued)

Notes:

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

As at 31 December 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.

- (b) During the year ended 31 December 2019, Ule Holdings recognised financial liabilities at FVPL in relation to loan facilities from certain shareholders and also recognised the change in fair value of the financial liabilities. Accordingly, the Group has shared the losses from the fair value change of the financial liabilities amounting to HK\$84,287,000 in the consolidated income statement.

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

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

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

6 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	18,214	18,879
Depreciation of right-of-use assets	33,461	–
Amortisation of other intangible assets	105,986	106,959
Provision for impairment of goodwill (note 3)	6,468	–
Loss on disposal of subsidiaries (note a)	5,081	–
Exchange loss, net	5,209	6,224
	<u>174,319</u>	<u>132,062</u>
Crediting:		
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	–	3,626
Gain on disposal of an associated company	–	1,019
Recovery from a previously fully written off receivable of discontinued operations	–	2,736
Gain on disposal of fixed assets	68	146
	<u>27,510</u>	<u>8,366</u>

6 Loss before net finance costs and taxation (Continued)

Notes:

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

7 Finance costs, net

	2019 HK\$'000	2018 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	–
	<u>(95,867)</u>	<u>(68,715)</u>

8 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 HK\$'000	2018 HK\$'000
Overseas taxation	6,312	11,596
Under-provision in prior years	1,320	1,125
Deferred taxation	1,996	(8,257)
	<u>9,628</u>	<u>4,464</u>
Taxation charge	<u>9,628</u>	<u>4,464</u>

9 Dividends

No dividends had been paid or declared by the Company during the year (2018: Nil).

10 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).

11 Trade and other receivables

	2019 HK\$'000	2018 HK\$'000
Trade receivables	240,964	274,998
Prepayments, deposits and other receivables	256,030	269,612
	<u>496,994</u>	<u>544,610</u>

The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 to 180 days. The Group's turnover is determined in accordance with terms specified in the contracts governing the relevant transactions. The carrying values of trade and other receivables approximate their fair values.

11 Trade and other receivables (Continued)

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
	<hr/>	<hr/>
	293,676	334,641
Less: Provision for impairment	(52,712)	(59,643)
	<hr/>	<hr/>
	240,964	274,998
	<hr/> <hr/>	<hr/> <hr/>

12 Trade and other payables

	2019 HK\$'000	2018 HK\$'000
Trade payables	134,229	137,971
Other payables and accruals	299,566	310,306
Contract liabilities	132,308	136,568
	<hr/>	<hr/>
	566,103	584,845
	<hr/> <hr/>	<hr/> <hr/>

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

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
	<hr/>	<hr/>
	134,229	137,971
	<hr/> <hr/>	<hr/> <hr/>

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code throughout the year ended 31 December 2019, save and except Code Provisions A.5 and E.1.2 of the Corporate Governance Code.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills, 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.

The Chairman of the Board 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 May 2020 to Monday, 11 May 2020, both days inclusive, during which period no transfer of shares will be effected, to determine shareholders' entitlement to attend and vote at the 2020 Annual General Meeting (or at any adjournment thereof). All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Tuesday, 5 May 2020.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Monday, 11 May 2020. Notice of the 2020 Annual General Meeting will be published and issued to shareholders in due course.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

DEFINITIONS

"Associates"	has the meaning ascribed to it in the Listing Rules
"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 reportable 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

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

Mr. Albert Ip

Dr. Alex Fong

Alternate Director:

Mr. Dominic Lai

(Alternate to Mr. Frank Sixt)