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TOM Group Limited

TOM集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CHAIRMAN'S STATEMENT

For the six months ended 30 June 2020, TOM Group maintained its strategic focus on high growth potential sectors such as e-commerce/new retail, fintech and advanced data analytics, while at the same time continuing to restructure its non-performing businesses.

Gross revenue from the Group's Technology Platform and Investments was HK\$32 million. The Group's Media Business, comprising its Publishing and Advertising business units, recorded gross revenue of HK\$337 million.

During the first half, the Group's businesses were adversely impacted by the COVID-19 Pandemic. Revenue of the Group amounted to HK\$368 million, comparing to HK\$432 million in last year. Gross profit reduced to HK\$147 million from HK\$178 million. Nevertheless, gross profit margin was maintained at 40%, which was comparable to 41% in the same period last year. Including net share of operating losses of HK\$42 million from Associates and the higher net finance costs of HK\$49 million as a result of increased loan drawdown during the period, the Group's loss for the period attributable to shareholders increased from HK\$82 million in the first half of 2019 to HK\$112 million.

Ule, the Group's E-Commerce joint operation with China Post, continued development of rural New Retail and associated B2B business with focus on supply chain innovation during the review period. The COVID-19 Pandemic severely affected Ule's supply chain and logistics network during the period, particularly from February to May. B2B GMV was RMB2,635 million. Going forward, Ule will continue to expand its businesses and drive technology innovation to further elevate its brand awareness and industry competitiveness in Mainland China's rural New Retail arena.

Pixnet, the Group's Social Network business, contributed gross revenue of HK\$23 million and segment loss of HK\$3 million.

The Publishing Group in Taiwan maintained its leadership position in its markets during the review period. Gross revenue and segment profit from the Publishing Group were HK\$322 million and HK\$14 million respectively.

The Group continued exiting non-performing subsidiaries in its Outdoor Media advertising businesses.

The COVID-19 outbreak has led to continuing uncertainties and a marked downturn in global economic activities. In this challenging environment, management will remain focused on executing the Group Strategy, as well as maintaining stability in our business performance and a prudent financial profile by close monitoring of operating and capital expenses and investments and disciplined working capital management.

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

Frank John Sixt
Chairman

Hong Kong, 5 August 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2020	30 June 2019
	HK\$'000	HK\$'000
Consolidated revenue	367,864	432,257
Loss before net finance costs and taxation	(63,811)	(33,751)
Loss attributable to equity holders of the Company	(111,865)	(82,079)
Total comprehensive (expense)/income attributable to equity holders of the Company	(110,574)	191,552
Loss per share (HK cents)	(2.83)	(2.07)
Net assets value	69,501	210,872

BUSINESS REVIEW

The first half of 2020 saw unprecedented challenges for our businesses as a result of the COVID-19 outbreak. During the review period, TOM Group adopted measures to mitigate COVID-19's impact by optimising operational efficiency in order to stay agile and resilient. At the same time, the Group accelerated the launch of digital initiatives to seize opportunities created by new customer needs during and after the pandemic.

Our Media Business recorded a 13% drop in gross revenue to HK\$337 million with segment profit of HK\$13 million. Gross revenue from the Group's Technology Platform and Investments dropped by 33% to HK\$32 million whilst segment loss was HK\$9 million.

Technology Platform and Investments

Ule is the Group's E-Commerce joint operation with China Post. The strict nationwide lockdown measures adopted by provinces, cities and villages as a result of the COVID-19 pandemic have caused the closure of factories and rural retail stores. This has greatly disrupted Ule's supply chain and logistics network, severely impacting its B2B business. During the review period, Ule's B2B GMV was RMB2,635 million. The shift to online purchase behaviour, however, contributed to a surge in B2C online transactions for Ule during the review period. In the second half of 2020, Ule will accelerate online and offline integration to unleash business opportunities in the New Retail transformation emerging from post-pandemic recovery.

Pixnet, the Group's Social Network technology platform, is the largest community website in Taiwan focusing on food, lifestyle and travel. During the review period, Pixnet's business was adversely affected by the impact of the COVID-19 crisis on brands and advertisers. Gross revenue dropped 35% to HK\$23 million with a segment loss of HK\$3 million. As the Taiwan economy is hopeful of a rebound from the pandemic in the second half of the year, Pixnet is well positioned to capture post-pandemic growth and further expand its digital offerings to drive revenue.

TOM Group invested in WeLab, a leading Asian fintech company, in 2014. As at 30 June 2020, TOM Group owns 8.26% in WeLab on an issued basis.

In March 2020, TOM Group invested in MioTech, a Hong Kong/Mainland China-based artificial intelligence platform which provides ESG total solutions to financial institutions and listed companies in the Greater China region using machine learning and natural-language processing. As at 30 June 2020, TOM Group owns 4.78% in MioTech on an issued basis.

Media Business

The Group's Publishing business Cite, maintained its market leadership position in Taiwan amidst the global economic fallout caused by the pandemic. Business Weekly, the Group's flagship business magazine, made notable progress in diversifying revenue streams by accelerating the launch of several digital initiatives in response to the paradigm shift of user behaviour resulting from the pandemic. The Publishing Group recorded a 11% drop in gross revenue to HK\$322 million with segment profit of HK\$14 million.

For the six months ended 30 June 2020, the Group recorded revenue of HK\$368 million with a gross profit margin of 40%. Including net share of operating losses of HK\$42 million from Associates, and the net finance costs of HK\$49 million, the Group's loss for the period attributable to shareholders was HK\$112 million.

Given the unparalleled and evolving impact of the COVID-19 pandemic on the overall economy, TOM Group will continue to manage its operations with prudence and grasp opportunities created by the post-pandemic economic environment to create long term benefits for shareholders.

Group Capital Resources and Other Information

As at 30 June 2020, TOM Group had cash and cash equivalents of approximately HK\$936 million. HK\$3,820 million or 98% of the total available financing facilities of HK\$3,899 million had been utilised as at 30 June 2020 to finance the Group's investments, capital expenditures and for working capital purposes.

Total bank borrowings of TOM Group was approximately HK\$3,820 million as at 30 June 2020, of which HK\$3,700 million and HK\$120 million equivalent were denominated in Hong Kong dollar and New Taiwan dollar respectively. The borrowings included long-term bank loans of approximately HK\$3,781 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 98% as at 30 June 2020, compared to 95% as at 31 December 2019. The net assets were approximately HK\$70 million as at 30 June 2020, compared to HK\$177 million as at 31 December 2019.

As at 30 June 2020, net current assets of the Group was approximately HK\$901 million, compared to approximately HK\$320 million as at 31 December 2019. The increase in net current assets was resulted from more long-term bank loan drawdown during the period for prudent liquidity risk management. As at 30 June 2020, the current ratio (Current assets/Current liabilities) of TOM Group was 2.42, compared to 1.49 as at 31 December 2019.

For the period under review, net cash from operating activities after interest and taxation paid decreased to HK\$17 million, 54% lower than HK\$37 million in the same period of 2019. Net cash outflow used in investing activities was HK\$70 million, mainly included capital expenditure of approximately HK\$56 million and a share subscription in an equity investment of approximately HK\$16 million.

Charges on Group Assets

As at 30 June 2020, the Group had restricted cash amounting to HK\$7 million, being bank deposits mainly pledged in favour of certain publishing distributors as retainer fee for potential sales return, and banks as security for credit card and advance receipt in Taiwan.

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Subsequent Events

In July 2020, the Group, through its non-wholly owned subsidiary, completed the disposal of its entire interests in a financial asset at fair value through other comprehensive income, Rubikloud Technologies Inc., a Canadian based AI platform for retail, at a consideration of approximately US\$2.55 million.

Except for the above, there is no subsequent event after the reporting period which has material impact to the condensed consolidated interim financial information 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 30 June 2020, TOM Group had approximately 1,300 full-time employees (excluding approximately 600 full-time employees of Ule, an associated company of TOM). For the first six months of the year, employee costs, including Directors' emoluments, totalled HK\$161 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2019.

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 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.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited Six months ended 30 June	
	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	<u>367,864</u>	<u>432,257</u>
Cost of sales		(220,781)	(254,614)
Selling and marketing expenses		(62,838)	(69,360)
Administrative expenses		(33,204)	(35,279)
Other operating expenses, net	5	(70,822)	(77,564)
Other (losses)/gains, net		(1,576)	20,667
Fair value gain on financial asset at fair value through profit or loss	4	<u>–</u>	<u>80,302</u>
		(21,357)	96,409
Share of profits less losses of investments accounted for using the equity method	3		
– Share of operating losses		(42,454)	(49,858)
– Share of fair value losses on financial liabilities at fair value through profit or loss		<u>–</u>	<u>(80,302)</u>
		<u>(42,454)</u>	<u>(130,160)</u>
Loss before net finance costs and taxation	6	(63,811)	(33,751)
Finance income		4,016	2,196
Finance costs		<u>(53,145)</u>	<u>(43,279)</u>
Finance costs, net	7	<u>(49,129)</u>	<u>(41,083)</u>
Loss before taxation		(112,940)	(74,834)
Taxation	8	<u>(2,521)</u>	<u>(6,884)</u>
Loss for the period		<u>(115,461)</u>	<u>(81,718)</u>
Attributable to:			
– Non-controlling interests		<u>(3,596)</u>	<u>361</u>
– Equity holders of the Company		<u>(111,865)</u>	<u>(82,079)</u>
Loss per share attributable to equity holders of the Company during the period			
Basic and diluted	10	<u>HK(2.83) cents</u>	<u>HK(2.07) cents</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period	(115,461)	(81,718)
Other comprehensive income for the period, net of tax		
– Items that will not be reclassified subsequently to income statement:		
Revaluation surplus of financial assets at fair value through other comprehensive income	1,062	224,042
Share of revaluation surplus through other comprehensive income from an associated company	1,114	86,127
	<u>2,176</u>	<u>310,169</u>
– Item that may be subsequently reclassified to income statement:		
Exchange translation differences	2,653	(5,515)
	<u>4,829</u>	<u>304,654</u>
Total comprehensive (expense)/income for the period	<u>(110,632)</u>	<u>222,936</u>
Total comprehensive (expense)/income for the period attributable to:		
– Non-controlling interests	<u>(58)</u>	<u>31,384</u>
– Equity holders of the Company	<u>(110,574)</u>	<u>191,552</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		34,602	38,325
Right-of-use assets		42,842	47,309
Investment properties		21,076	21,268
Goodwill		570,573	570,856
Other intangible assets		135,739	134,509
Investments accounted for using the equity method	3	1,157,838	1,201,769
Financial assets at fair value through other comprehensive income		952,757	955,859
Deferred tax assets		47,518	45,767
Pension assets		2,745	2,745
Other non-current assets		100	1,841
		<u>2,965,790</u>	<u>3,020,248</u>
Current assets			
Inventories		100,732	101,935
Trade and other receivables	11	472,198	496,994
Restricted cash		6,517	7,598
Cash and cash equivalents		935,756	371,776
Financial assets at fair value through other comprehensive income		19,871	–
		<u>1,535,074</u>	<u>978,303</u>
Current liabilities			
Trade and other payables	12	528,262	566,103
Taxation payable		18,257	14,502
Long-term bank loans – current portion		21,607	11,633
Short-term bank loans		39,285	38,775
Lease liabilities – current portion		26,358	26,877
		<u>633,769</u>	<u>657,890</u>
Net current assets		<u>901,305</u>	<u>320,413</u>
Total assets less current liabilities		<u>3,867,095</u>	<u>3,340,661</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AS AT 30 JUNE 2020

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Non-current liabilities		
Deferred tax liabilities	13,340	12,857
Long-term bank loans – non-current portion	3,748,900	3,112,453
Lease liabilities – non-current portion	19,082	22,362
Pension obligations	16,272	16,105
	<u>3,797,594</u>	<u>3,163,777</u>
Net assets	<u>69,501</u>	<u>176,884</u>
EQUITY		
Equity attributable to the Company's equity holders		
Share capital	395,852	395,852
Deficits	(692,030)	(581,456)
Own shares held	(6,244)	(6,244)
	<u>(302,422)</u>	<u>(191,848)</u>
Non-controlling interests	371,923	368,732
Total equity	<u>69,501</u>	<u>176,884</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY **FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited Attributable to equity holders of the Company													
	Fair value													
	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	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 2020	395,852	(6,244)	3,744,457	(75,079)	776	170,872	480,550	14,625	681,956	6,096	(5,605,709)	(191,848)	368,732	176,884
Comprehensive income:														
Loss for the period	-	-	-	-	-	-	-	-	-	-	(111,865)	(111,865)	(3,596)	(115,461)
Other comprehensive income:														
Revaluation surplus/(deficit) of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(56)	-	-	-	-	(56)	1,118	1,062
Share of revaluation surplus through other comprehensive income from an associated company	-	-	-	-	-	-	1,003	-	-	-	1,003	111	2,309	1,114
Exchange translation differences	-	-	-	-	-	-	-	-	344	-	344	-	-	2,653
Total comprehensive (expense)/income for the period ended 30 June 2020	-	-	-	-	-	-	947	-	344	-	(111,865)	(58)	-	(110,632)
Transactions with equity holders:														
Dividends distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(198)	-	(198)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,447	-	3,447
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	-	3,249	-	3,249
Balance at 30 June 2020	395,852	(6,244)	3,744,457	(75,079)	776	170,872	481,497	14,625	682,300	6,096	(5,717,574)	(302,422)	371,923	69,501

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited 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/(deficit) HK\$'000
Balance at 1 January 2019	395,852	(6,244)	3,744,457	(75,079)	776	165,847	327,679	14,625	684,211	6,096	(5,603,144)	(344,924)	344,188	(736)
Comprehensive income:														
Loss for the period	-	-	-	-	-	-	-	-	-	-	(82,079)	(82,079)	361	(81,718)
Other comprehensive income:														
Revaluation surplus of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	200,612	-	-	-	-	200,612	23,430	224,042
Share of revaluation surplus through other comprehensive income from an associated company	-	-	-	-	-	-	77,516	-	-	-	-	77,516	8,611	86,127
Exchange translation differences	-	-	-	-	-	-	-	-	(4,497)	-	-	(4,497)	(1,018)	(5,515)
Total comprehensive income/(expense) for the period ended 30 June 2019	-	-	-	-	-	-	278,128	-	(4,497)	-	(82,079)	191,552	31,384	222,936
Transactions with equity holders:														
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,349)	(4,349)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(6,979)	(6,979)
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(11,328)	(11,328)
Balance at 30 June 2019	395,852	(6,244)	3,744,457	(75,079)	776	165,847	605,807	14,625	679,714	6,096	(5,685,223)	(153,372)	364,244	210,872

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

This financial information is extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 which has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of the Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

In preparing this unaudited condensed consolidated interim financial information, 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. Accordingly, the Group has prepared this unaudited condensed consolidated interim financial information on a going concern basis.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in 2019 annual financial statements, except for the adoption of amendments to standards which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2020.

The adoption of these amendments to standards does not have a material impact on the Group's accounting policies.

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

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 six months ended 30 June 2020 are as follows:

Unaudited Six months ended 30 June 2020							
	Technology Platform and Investments				Media Business		
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000
Gross segment revenue	3,434	5,111	23,473	32,018	321,527	15,136	336,663
Inter-segment revenue	–	–	(588)	(588)	(1)	(228)	(229)
Net revenue from external customers	<u>3,434</u>	<u>5,111</u>	<u>22,885</u>	<u>31,430</u>	<u>321,526</u>	<u>14,908</u>	<u>336,434</u>
Timing of revenue recognition:							
At a point in time	30	1,731	22,885	24,646	290,151	773	290,924
Over time	3,404	3,380	–	6,784	31,375	14,135	45,510
	<u>3,434</u>	<u>5,111</u>	<u>22,885</u>	<u>31,430</u>	<u>321,526</u>	<u>14,908</u>	<u>336,434</u>
Segment profit/(loss) before amortisation and depreciation	(2,493)	(1,773)	207	(4,059)	80,685	(1,045)	79,640
Amortisation and depreciation	(1)	(1,512)	(3,012)	(4,525)	(66,352)	(696)	(67,048)
Segment profit/(loss)	<u>(2,494)</u>	<u>(3,285)</u>	<u>(2,805)</u>	<u>(8,584)</u>	<u>14,333</u>	<u>(1,741)</u>	<u>12,592</u>
Other material items:							
Gain on disposal of a subsidiary	–	–	–	–	–	2,372	2,372
Share of profits less losses of investments accounted for using the equity method	(42,691)	(538)	–	(43,229)	775	–	775
– Share of operating (losses)/profits	<u>(42,691)</u>	<u>(538)</u>	<u>–</u>	<u>(43,229)</u>	<u>775</u>	<u>2,372</u>	<u>3,147</u>
Finance costs:							
Finance income (note a)	2	1,005	3	1,010	1,522	269	1,791
Finance expenses	–	(40)	(44)	(84)	(1,112)	(39)	(1,151)
	<u>2</u>	<u>965</u>	<u>(41)</u>	<u>926</u>	<u>410</u>	<u>230</u>	<u>640</u>
Segment profit/(loss) before taxation	<u>(45,183)</u>	<u>(2,858)</u>	<u>(2,846)</u>	<u>(50,887)</u>	<u>15,518</u>	<u>861</u>	<u>16,379</u>
Unallocated corporate expenses							(78,432)
Loss before taxation							<u>(112,940)</u>
Expenditure for operating segment non-current assets	–	1,815	1,149	2,964	67,432	–	67,432
Unallocated expenditure for non-current assets							–
Total expenditure for non-current assets							<u>70,396</u>

Note (a):

Inter-segment interest income amounted to HK\$1,388,000 was included in the finance income.

2 Turnover, revenue and segment information (Continued)

The segment results for the six months ended 30 June 2019 are as follows:

Unaudited Six months ended 30 June 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
Gross segment revenue	4,649	6,797	35,999	47,445	362,063	23,398	385,461
Inter-segment revenue	–	–	(483)	(483)	–	(166)	(166)
Net revenue from external customers	<u>4,649</u>	<u>6,797</u>	<u>35,516</u>	<u>46,962</u>	<u>362,063</u>	<u>23,232</u>	<u>385,295</u>
Timing of revenue recognition:							
At a point in time	71	2,165	35,516	37,752	330,021	3,176	333,197
Over time	4,578	4,632	–	9,210	32,042	20,056	52,098
	<u>4,649</u>	<u>6,797</u>	<u>35,516</u>	<u>46,962</u>	<u>362,063</u>	<u>23,232</u>	<u>385,295</u>
Segment profit/(loss) before amortisation and depreciation	(1,888)	(2,213)	2,926	(1,175)	95,589	1,090	96,679
Amortisation and depreciation	–	(2,678)	(2,222)	(4,900)	(67,473)	(2,358)	(69,831)
Segment profit/(loss)	<u>(1,888)</u>	<u>(4,891)</u>	<u>704</u>	<u>(6,075)</u>	<u>28,116</u>	<u>(1,268)</u>	<u>26,848</u>
Other material items:							
Fair value gain on financial asset at fair value through profit or loss ("FVPL")	80,302	–	–	80,302	–	–	–
Gain on dilution of shareholding in associated companies	26,320	–	–	26,320	–	–	–
Loss on disposal of subsidiaries	–	–	–	–	–	(5,081)	(5,081)
Share of profits less losses of investments accounted for using the equity method							
– Share of operating (losses)/profits	(50,526)	(447)	–	(50,973)	1,115	–	1,115
– Share of fair value losses on financial liabilities at FVPL	(80,302)	–	–	(80,302)	–	–	–
	<u>(24,206)</u>	<u>(447)</u>	<u>–</u>	<u>(24,653)</u>	<u>1,115</u>	<u>(5,081)</u>	<u>(3,966)</u>
Finance costs:							
Finance income (note a)	639	1,014	53	1,706	1,961	334	2,295
Finance expenses	–	(110)	(22)	(132)	(1,529)	(165)	(1,694)
	<u>639</u>	<u>904</u>	<u>31</u>	<u>1,574</u>	<u>432</u>	<u>169</u>	<u>601</u>
Segment profit/(loss) before taxation	<u>(25,455)</u>	<u>(4,434)</u>	<u>735</u>	<u>(29,154)</u>	<u>29,663</u>	<u>(6,180)</u>	<u>23,483</u>
Unallocated corporate expenses							(69,163)
Loss before taxation							<u>(74,834)</u>
Expenditure for operating segment non-current assets	–	132	11,657	11,789	59,988	1,491	61,479
Unallocated expenditure for non-current assets							–
Total expenditure for non-current assets							<u>73,268</u>

Note (a):

Inter-segment interest income amounted to HK\$1,807,000 was included in the finance income.

2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 30 June 2020 are as follows:

Unaudited As at 30 June 2020								
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	Total HK\$'000
Segment assets	302,002	905,166	44,642	1,251,810	1,300,578	109,508	1,410,086	2,661,896
Investments accounted for using the equity method	1,151,445	3,841	–	1,155,286	2,552	–	2,552	1,157,838
Unallocated assets								681,130
Total assets								4,500,864
Segment liabilities	21,759	40,857	18,632	81,248	382,329	40,275	422,604	503,852
Unallocated liabilities:								
Corporate liabilities								86,122
Current taxation								18,257
Deferred taxation								13,340
Borrowings								3,809,792
Total liabilities								4,431,363

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

Audited 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

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 Investments accounted for using the equity method

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Associated companies	<u>1,157,838</u>	<u>1,201,769</u>

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

	Unaudited Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Associated companies		
– Share of operating losses	(42,454)	(49,858)
– Share of fair value losses on financial liabilities at FVPL (note b)	<u>–</u>	<u>(80,302)</u>
	<u>(42,454)</u>	<u>(130,160)</u>

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

3 Investments accounted for using the equity method (Continued)

Notes (Continued):

(a) (Continued)

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 30 June 2020 and 2019, Ule Major Shareholder Options are not yet exercisable as the Qualified IPO has not occurred.

In October 2017, a total of 4,765,000 options under the Ule Other Options were granted. The options that were granted carried a Qualified IPO performance of Ule Holdings and service condition that affect vesting. As at 30 June 2020, the Qualified IPO performance condition is yet to be satisfied. As the options only vest upon a Qualified IPO, Ule Holdings did not recognise any share-based compensation expense for the period then ended. No outstanding options granted under the Ule Other Options were vested as at 30 June 2020. All the outstanding options will be expired in October 2027.

- (b) During the period ended 30 June 2019, Ule Holdings recognised financial liabilities at FVPL in relation to loan facilities from certain shareholders and also recognised the change in fair value of the financial liabilities. Accordingly, the Group shared the losses from the fair value change of the financial liabilities amounting to HK\$80,302,000 in the condensed consolidated interim income statement.

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

During the period ended 30 June 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, a fair value gain of the loan with option during the period ended 30 June 2019 amounting to HK\$80,302,000 was recognised in the condensed consolidated interim income statement.

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.

5 Other operating expenses, net

	Unaudited		Audited	
	Six months ended 30 June		Year ended 31 December	
	2020	2019	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs	41,473	45,856	100,032	103,262
Travel and entertainment	525	1,360	2,786	3,189
Provision for inventories	10,621	8,940	22,198	27,957
Provision/(reversal of provision) for impairment of trade receivables, net	715	(2,298)	(3,233)	1,566
Depreciation of fixed assets	6,311	6,472	13,247	12,641
Depreciation of right-of-use assets	12,755	13,242	26,693	-
Amortisation of other intangible assets	42	40	82	81
Other (income)/expenses	(1,620)	3,952	2,704	1,658
	<u>70,822</u>	<u>77,564</u>	<u>164,509</u>	<u>150,354</u>

6 Loss before net finance costs and taxation

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Charging:		
Depreciation of fixed assets	8,716	9,038
Depreciation of right-of-use assets	15,071	16,987
Amortisation of other intangible assets	50,947	51,869
Loss on disposal of subsidiaries (note a)	–	5,081
Loss on disposal of fixed assets	2	–
Exchange loss, net	4,529	659
	<u> </u>	<u> </u>

Crediting:

Dividend income from financial assets at fair value through other comprehensive income	583	–
Gain on dilution of shareholding in associated companies (note b)	–	26,320
Gain on disposal of a subsidiary (note c)	2,372	–
Gain on disposal of fixed assets	–	87
	<u> </u>	<u> </u>

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

Notes:

- (a) In April 2019, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in two subsidiaries engaging in outdoor media business, at a total consideration of RMB5,000,000 (approximately HK\$5,650,000). The disposal of equity interest in the two subsidiaries was completed in June 2019. Accordingly, a loss on disposal of approximately HK\$5,081,000 was recognised in the condensed consolidated interim income statement for the period ended 30 June 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 condensed consolidated interim income statement for the period ended 30 June 2019.
- (c) In December 2019, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interest in a subsidiary engaging in outdoor media business, at a total consideration of RMB200,000 (approximately HK\$222,000). The disposal of equity interest in the subsidiary was completed in February 2020. Accordingly, a gain on disposal of approximately HK\$2,372,000 was recognised in the condensed consolidated interim income statement for the period ended 30 June 2020.

7 Finance costs, net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	(52,626)	(42,432)
Interest costs on lease liabilities	(519)	(847)
Bank interest income	4,016	1,560
Interest income on loan to an associated company	—	636
	<u>(49,129)</u>	<u>(41,083)</u>

8 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Overseas taxation	1,877	2,575
Under-provision in prior years	1,248	1,393
Deferred taxation	<u>(604)</u>	<u>2,916</u>
Taxation charge	<u>2,521</u>	<u>6,884</u>

9 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 June 2020 (2019: 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\$111,865,000 (2019: HK\$82,079,000) and the weighted average of 3,958,510,558 (2019: 3,958,510,558) ordinary shares in issue during the period.

(b) Diluted

Diluted loss per share is equal to the basic loss per share for the period ended 30 June 2020 (2019: Same).

11 Trade and other receivables

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade receivables	217,308	240,964
Prepayments, deposits and other receivables	254,890	256,030
	<u>472,198</u>	<u>496,994</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.

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Current	82,545	115,901
31 – 60 days	58,585	56,212
61 – 90 days	33,052	34,441
Over 90 days	84,080	87,122
	<u>258,262</u>	<u>293,676</u>
Less: Provision for impairment	(40,954)	(52,712)
	<u>217,308</u>	<u>240,964</u>

12 Trade and other payables

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade payables	129,895	134,229
Other payables and accruals	270,154	299,566
Contract liabilities	128,213	132,308
	<u>528,262</u>	<u>566,103</u>

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

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

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Current	55,812	64,878
31 – 60 days	12,954	7,219
61 – 90 days	5,862	5,192
Over 90 days	55,267	56,940
	<u>129,895</u>	<u>134,229</u>

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2020 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders. The unaudited condensed consolidated interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code throughout the six months ended 30 June 2020, save and except Code Provision A.5 which is with respect to the nomination committee.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Group's code of conduct regarding Directors' securities transactions. In response to specific enquiry made with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares. In addition, the Company has not redeemed any of its listed shares during the period.

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

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

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

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

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

Executive Director:

Mr. Yeung Kwok Mung

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Angelina Lee

*Independent Non-executive
Directors:*

Mr. James Sha

Mr. Albert Ip

Dr. Alex Fong

Alternate Director:

Mr. Dominic Lai

(Alternate to Mr. Frank Sixt)