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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 2018**

**CHAIRMAN'S STATEMENT**

For the six months ended 30 June 2018, TOM Group made steady progress in streamlining its existing businesses to focus on investments in e-commerce, fintech and advanced data analytics sectors.

Gross revenue from the Group's Technology Platform and Investments was HK\$57 million, an 8% increase year-on-year. The Group's Media Business, represented by Publishing and Advertising business units, recorded gross revenue of HK\$396 million.

During the review period, the Group recorded revenue from its operations at HK\$451 million, gross profit margin increased from 37% to 42% and turned around to an operations segment profit of HK\$27 million. Including share of loss from associated companies of HK\$38 million and net finance costs of HK\$29 million, the Group's loss attributable to shareholders narrowed 53% to HK\$64 million.

Ule ([www.ule.com](http://www.ule.com)), the joint venture with China Post, saw growth of its B2B business in key provinces. During the review period, online promotion campaigns coupled with offline county-level trade fairs fueled the growth and development of Ule's Rural New Retail business. Going forward, Ule will continue to work closely with China Post to expand its B2B services across all participating rural retail outlets. As at 30 June 2018, more than 500,000 retail stores in rural China have joined Ule's e-commerce platform.

During the review period, Pixnet, the Group's Social Network business, continued to grow, gross revenue increased 6% to HK\$39 million and recorded a segment profit of HK\$3 million, a 71% jump from the same reporting period of 2017.

The Publishing Group in Taiwan showed resilience to the challenging operating environment and maintained its leadership position during the review period. Gross revenue increased 3% to HK\$370 million whilst segment profit increased 31% to HK\$28 million.

The Group continued its restructuring efforts on its Outdoor Media business and exited from certain non-performing business units. As a result, its loss from Outdoor Media reduced by 78% during the period.

Going forward, TOM Group will maintain prudent financial and operation discipline whilst investing strategically in technology businesses to create value for shareholders.

I would like to take this opportunity to thank the management and all the staff of the Group for their hard work and dedication.

**Frank John Sixt**  
*Chairman*

Hong Kong, 1 August 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

	For the six months ended	
	30 June 2018	30 June 2017
	HK\$'000	HK\$'000
Consolidated revenue	451,270	455,781
Loss <sup>(1)</sup> before impairment charges <sup>(2)</sup>	(36,364)	(88,867)
Assets impairment <sup>(2)</sup>	-	(22,249)
Loss attributable to equity holders of the Company	(64,453)	(138,305)
Loss per share (HK cents)	(1.66)	(3.55)

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

(2) 2017: Provision for impairment of an available-for-sale financial asset (HK\$12,243,000) held by the Mobile Internet Group and impairment of certain fixed assets (HK\$10,006,000) of the outdoor media operation under the Advertising Group

### Business Review

In the first half of 2018, TOM Group achieved notable progress in both operational streamlining of its traditional media operations and its business focus on high growth and technology-centric investments. The Group's operating subsidiaries delivered promising business performance during the review period. Our Media Business performance was broadly maintained and recorded a gross revenue of HK\$396 million whilst operations segment profit surged 11 times to HK\$26 million with continuous improvements on efficiency. Gross revenue from the Group's Technology Platform and Investments increased 8% to HK\$57 million and the business turned around with operations segment profit of HK\$1 million during the review period. Meanwhile, some of the Group's investment initiatives started to bear fruit.

#### ***Technology Platform and Investments – continuing strong growth***

The Group is pleased with the rapid growth of several of its investments during the review period.

In 2014, TOM Group invested in WeLab, a leading technology enabler for consumer lending in Hong Kong and China. As of 31 March 2018, WeLab has facilitated or originated nearly US\$2.3 billion in loans in Hong Kong and China and has accumulated more than 28 million users. In March 2018, WeLab was recognised with two major awards by The Asian Banker – “The Best Business Model” and “The Best Data Analytics Initiative”. In the same month, WeLab was the only Hong Kong company, and only one of five in Greater China, to be named in a joint report by the IFC (a member of the World Bank Group), Stanford University Graduate School of Business and CreditEase as one of the top 100 fintech companies globally leading the way in promoting financial inclusion. As at 30 June 2018, TOM Group owns 6.76% in WeLab.

Rubikloud is a Toronto-based intelligent decision automation platform for retail which TOM Group invested in 2015. During the review period, Rubikloud expanded its operations from Toronto to cover Hong Kong and London. By the end of the year, Rubikloud is expected to achieve 140% year-on-year revenue growth as it continues to expand its client base in Canada, USA, London and Hong Kong. Rubikloud is well poised to be the front runner in building artificial intelligence for retailers. TOM Group owns 4.33% in Rubikloud as at 30 June 2018.

Ule, the Group's e-commerce joint venture with China Post, saw accelerating growth of its B2B business in key provinces such as Hunan, Jiangsu, Zhejiang, Henan, etc. During the review period, online promotion campaigns coupled with hundreds of offline county-level trade fairs were organised to fuel the growth and development of Ule's Rural New Retail business. Riding on the extensive logistics network of China Post, over 2,000 county warehouses are currently in operation to support Ule's B2B business. Going forward, Ule will continue to work closely with China Post to expand its B2B services across all participating rural retail outlets. As of 30 June 2018, more than 500,000 retail stores in rural China have joined Ule's e-commerce platform.

Pixnet, the Group's Social Network business, remained on track to deliver steady business performance during the review period. Gross revenue increased 6% to HK\$39 million and operations segment profit increased 71% to HK\$3 million.

### ***Media Business – sustained market leadership***

During the review period, the Group's Publishing business "Cite" continued to lift operational efficiency and accelerate its development in the digital arena to complement its leadership position in Taiwan's publishing market. The Group continued to diversify revenue streams leveraging on the premium content and brands of "Cite" and "Business Weekly". As a result, gross revenue increased 3% to HK\$370 million whilst operations segment profit jumped 31% to HK\$28 million.

During the review period, the Group's Outdoor Media business continued its restructuring efforts and further narrowed its loss by 78%.

For the six months ended 30 June 2018, the Group broadly maintained its revenue level from operations and recorded revenue of HK\$451 million, and its gross profit margin increased from 37% to 42%. During the review period, the Group turned around its operations with a segment profit of HK\$27 million. Including share of loss from associated companies of HK\$38 million and net finance costs of HK\$29 million, the Group's loss attributable to shareholders was HK\$64 million, narrowed by 53% as compared to the same period of 2017.

Going forward, the Group strives to unlock value of its investments and create long-term benefits for shareholders.

## **Liquidity and Financial Resources**

As at 30 June 2018, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$377 million. A total of HK\$3,447 million financing facilities were available, of which HK\$2,887 million, or 84%, had been utilised as at 30 June 2018, to finance the Group's investment, capital expenditures and for working capital purposes.

The principal of the total borrowings of TOM Group amounted to approximately HK\$2,887 million as at 30 June 2018, of which HK\$2,712 million and HK\$175 million equivalent is denominated in Hong Kong dollar and New Taiwan dollar respectively. The borrowings included long-term bank loans of approximately HK\$2,848 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 99% as at 30 June 2018, compared to 97% as at 31 December 2017.

As at 30 June 2018, the Group had net current assets of approximately HK\$360 million, as compared to balance of approximately HK\$409 million as at 31 December 2017. As at 30 June 2018, the current ratio (Current assets/Current liabilities) of TOM Group was 1.53, as compared to 1.62 as at 31 December 2017.

For the first six months of 2018, net cash from operating activities after interest and taxation paid increased to HK\$16 million. Net cash outflow used in investing activities was HK\$56 million, mainly included capital expenditures of HK\$59 million and a share subscription in an equity investment of HK\$4 million; partially offset by proceed from disposal of a former subsidiary of HK\$4 million and dividends received of HK\$4 million.

## **Charges on Group Assets**

As at 30 June 2018, the Group had restricted cash amounting to HK\$5 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 30 June 2018, the Group had no significant contingent liabilities.

## **Subsequent Events**

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 2018, TOM Group had approximately 1,400 full-time employees (excluding approximately 500 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\$184 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2017.

### **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) excluding provision for impairment of other assets, 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 2018**

		Unaudited Six months ended 30 June	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue	2	451,270	455,781
Cost of sales		(261,411)	(286,282)
Selling and marketing expenses		(75,702)	(73,071)
Administrative expenses		(49,221)	(54,466)
Other operating expenses		(71,490)	(73,454)
Other gains, net		8,594	1,091
Provision for impairment of other assets	3	2,040	(30,401)
		-	(22,249)
Share of profits less losses of investments accounted for using the equity method	4	2,040	(52,650)
		(38,404)	(58,466)
Loss before net finance costs and taxation	5	(36,364)	(111,116)
Finance income		1,691	1,489
Finance costs		(30,742)	(31,052)
Finance costs, net	6	(29,051)	(29,563)
Loss before taxation		(65,415)	(140,679)
Taxation	7	217	(5,544)
Loss for the period		(65,198)	(146,223)
Attributable to:			
– Non-controlling interests		(745)	(7,918)
– Equity holders of the Company		(64,453)	(138,305)
Loss per share attributable to equity holders of the Company during the period			
Basic and diluted	9	HK(1.66) cents	HK(3.55) cents

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
<b>Loss for the period</b>	(65,198)	(146,223)
<b>Other comprehensive income for the period, net of tax</b>		
– <b>Items that will not be reclassified subsequently to income statement:</b>		
Revaluation surplus of properties	14,625	-
– <b>Items that may be subsequently reclassified to income statement:</b>		
Exchange translation differences	9,923	13,108
	<u>24,548</u>	<u>13,108</u>
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<b>Total comprehensive expense for the period</b>	<u>(40,650)</u>	<u>(133,115)</u>
<b>Total comprehensive expense for the period attributable to:</b>		
– Non-controlling interests	<u>(552)</u>	<u>(311)</u>
– Equity holders of the Company	<u>(40,098)</u>	<u>(132,804)</u>
<b>Total comprehensive expense for the period attributable to equity holders of the Company:</b>		
– From continuing operations	(40,098)	(131,691)
– From discontinued operations	-	(1,113)
	<u>(40,098)</u>	<u>(132,804)</u>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	Note	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets		44,810	46,547
Investment properties		22,978	-
Goodwill		581,268	580,556
Other intangible assets		124,744	129,651
Investments accounted for using the equity method	4	1,293,806	1,333,592
Financial assets at fair value through other comprehensive income		366,685	-
Available-for-sale financial assets		-	357,642
Deferred tax assets		46,953	39,999
Other non-current assets		3,525	3,497
		<u>2,484,769</u>	<u>2,491,484</u>
<b>Current assets</b>			
Inventories		109,108	121,490
Trade and other receivables	10	540,152	513,641
Restricted cash		5,414	7,099
Cash and cash equivalents		376,974	423,457
		<u>1,031,648</u>	<u>1,065,687</u>
<b>Current liabilities</b>			
Trade and other payables	11	552,602	559,101
Taxation payable		22,380	19,317
Long-term bank loans – current portion		58,298	39,195
Short-term bank loans		38,865	39,195
		<u>672,145</u>	<u>656,808</u>
<b>Net current assets</b>		<u>359,503</u>	<u>408,879</u>
<b>Total assets less current liabilities</b>		<u>2,844,272</u>	<u>2,900,363</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		15,948	8,566
Long-term bank loans – non-current portion		2,770,810	2,782,835
Pension obligations		28,597	31,478
		<u>2,815,355</u>	<u>2,822,879</u>
<b>Net assets</b>		<u>28,917</u>	<u>77,484</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		389,328	389,328
Deficits		(699,894)	(659,796)
Own shares held		(6,244)	(6,244)
		<u>(316,810)</u>	<u>(276,712)</u>
Non-controlling interests		345,727	354,196
<b>Total equity</b>		<u>28,917</u>	<u>77,484</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Unaudited														
	Attributable to equity holders of the Company														
	Share capital	Own shares held	Share premium	Capital reserve	Capital redemption reserve	General reserve	Fair value through other comprehensive income reserve	Available-for-sale financial assets reserve	Properties revaluation reserve	Exchange reserve	Other reserve	Accumulated losses	Total shareholders' deficits	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2017	389,328	(6,244)	3,625,981	(75,079)	776	161,668	-	364,355	-	716,197	6,096	(5,459,790)	(276,712)	354,196	77,484
Change in accounting policies	-	-	-	-	-	-	345,963	(364,355)	-	-	-	18,392	-	-	-
Restated 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
<b>Comprehensive income:</b>															
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(64,453)	(64,453)	(745)	(65,198)
<b>Other comprehensive income:</b>															
Revaluation surplus of properties	-	-	-	-	-	-	-	-	14,625	-	-	-	14,625	-	14,625
Exchange translation differences	-	-	-	-	-	-	-	-	-	9,730	-	-	9,730	193	9,923
Total comprehensive income/(expense) for the period ended 30 June 2018	-	-	-	-	-	-	-	-	14,625	9,730	-	(64,453)	(40,098)	(552)	(40,650)
<b>Transactions with equity holders:</b>															
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,917)	(7,917)
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,917)	(7,917)
Balance at 30 June 2018	389,328	(6,244)	3,625,981	(75,079)	776	161,668	345,963	-	14,625	725,927	6,096	(5,505,851)	(316,810)	345,727	28,917

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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	Available- for-sale financial assets 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 deficit HK\$'000
Balance at 1 January 2017	389,328	(6,244)	3,625,981	(75,054)	776	158,410	11,017	695,323	6,096	(5,220,258)	(414,625)	314,653	(99,972)
<b>Comprehensive income:</b>													
Loss for the period	-	-	-	-	-	-	-	-	-	(138,305)	(138,305)	(7,918)	(146,223)
<b>Other comprehensive income:</b>													
Exchange translation differences	-	-	-	-	-	-	-	5,501	-	-	5,501	7,607	13,108
Total comprehensive income/(expense) for the period ended 30 June 2017	-	-	-	-	-	-	-	5,501	-	(138,305)	(132,804)	(311)	(133,115)
<b>Transactions with equity holders:</b>													
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,883)	(1,883)
Acquisition of additional interests in a subsidiary	-	-	-	(25)	-	-	-	-	-	-	(25)	25	-
Transfer to general reserve	-	-	-	-	-	16	-	-	-	(16)	-	-	-
Transactions with equity holders	-	-	-	(25)	-	16	-	-	-	(16)	(25)	(1,858)	(1,883)
Balance at 30 June 2017	389,328	(6,244)	3,625,981	(75,079)	776	158,426	11,017	700,824	6,096	(5,358,579)	(547,454)	312,484	(234,970)

## **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 2018 which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Notwithstanding its net assets position as at 30 June 2018, the Group also has undrawn banking facilities guaranteed by one of its substantial shareholders. 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 2017 annual financial statements, except for the adoption of new standards and amendments to standards and accounting policy not yet applied which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2018.

#### **(a) New standards and amendments to standards**

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

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards is disclosed in note 1(b) below. The adoption of other new standards and amendments to standards does not have a significant impact on the Group's accounting.

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

## 1 Basis of preparation and accounting policies (Continued)

### (b) Effect of the adoption of the aforementioned new standards

The following tables show the impact on each individual line item. Line items that were not affected by the changes have not been included.

	As at 31 December 2017 As originally presented	Impact on initial adoption of HKFRS 9	Impact on initial adoption of HKFRS 15	As at 1 January 2018 Restated
<b>Condensed consolidated interim statement of financial position (extract)</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income ("FVOCI")	-	357,642	-	357,642
Available-for-sale financial assets	357,642	(357,642)	-	-
<b>Current assets</b>				
Inventories	121,490	-	(11,266)	110,224
Trade and other receivables	513,641	-	40,130	553,771
<b>Current liabilities</b>				
Trade and other payables	559,101	-	28,864	587,965
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	Six months ended 30 June 2018 without adoption of HKFRS 9 and 15	Impact on adoption of HKFRS 9	Impact on adoption of HKFRS 15	Six months ended 30 June 2018
<b>Condensed consolidated interim income statement (extract)</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	459,897	-	(8,627)	451,270
Cost of sales	(268,172)	-	6,761	(261,411)
Selling and marketing expenses	(77,568)	-	1,866	(75,702)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

### (c) Accounting policy not yet applied in 2017 annual financial statements

#### Investment properties

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

## **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 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 2018 are as follows:

Unaudited Six months ended 30 June 2018								
	Technology Platform and Investments				Media Business			Total HK\$'000
	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	4,451	12,980	39,161	56,592	369,673	25,830	395,503	452,095
Inter-segment revenue	-	-	(561)	(561)	-	(264)	(264)	(825)
Net revenue from external customers	<u>4,451</u>	<u>12,980</u>	<u>38,600</u>	<u>56,031</u>	<u>369,673</u>	<u>25,566</u>	<u>395,239</u>	<u>451,270</u>
Timing of revenue recognition:								
At a point in time	141	10,939	38,600	49,680	330,393	4,899	335,292	384,972
Over time	4,310	2,041	-	6,351	39,280	20,667	59,947	66,298
	<u>4,451</u>	<u>12,980</u>	<u>38,600</u>	<u>56,031</u>	<u>369,673</u>	<u>25,566</u>	<u>395,239</u>	<u>451,270</u>
Segment profit/(loss) before amortisation and depreciation	582	(2,090)	4,243	2,735	84,736	(805)	83,931	86,666
Amortisation and depreciation	-	(506)	(1,123)	(1,629)	(56,809)	(1,449)	(58,258)	(59,887)
Segment profit/(loss)	<u>582</u>	<u>(2,596)</u>	<u>3,120</u>	<u>1,106</u>	<u>27,927</u>	<u>(2,254)</u>	<u>25,673</u>	<u>26,779</u>
Other material item:								
Share of profits less losses of investments accounted for using the equity method	(39,258)	(6)	-	(39,264)	860	-	860	(38,404)
Finance costs:								
Finance income (note a)	-	1,041	3	1,044	2,314	484	2,798	3,842
Finance expenses (note a)	-	-	(2)	(2)	(1,497)	-	(1,497)	(1,499)
	<u>-</u>	<u>1,041</u>	<u>1</u>	<u>1,042</u>	<u>817</u>	<u>484</u>	<u>1,301</u>	<u>2,343</u>
Segment profit/(loss) before taxation	<u>(38,676)</u>	<u>(1,561)</u>	<u>3,121</u>	<u>(37,116)</u>	<u>29,604</u>	<u>(1,770)</u>	<u>27,834</u>	<u>(9,282)</u>
Unallocated corporate expenses								(56,133)
Loss before taxation								<u>(65,415)</u>
Expenditure for operating segment non-current assets	-	41	1,562	1,603	56,251	61	56,312	57,915
Unallocated expenditure for non-current assets								-
Total expenditure for non-current assets								<u>57,915</u>

### Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK\$2,160,000 and HK\$3,000 were included in the finance income and finance expenses respectively.

## 2 Turnover, revenue and segment information (Continued)

The segment results for the six months ended 30 June 2017 are as follows:

	Unaudited							Total HK\$'000
	Six months ended 30 June 2017							
	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	5,780	9,816	37,016	52,612	358,714	45,703	404,417	457,029
Inter-segment revenue	-	-	(768)	(768)	-	(480)	(480)	(1,248)
Net revenue from external customers	5,780	9,816	36,248	51,844	358,714	45,223	403,937	455,781
Timing of revenue recognition:								
At a point in time	419	8,666	36,248	45,333	315,157	8,748	323,905	369,238
Over time	5,361	1,150	-	6,511	43,557	36,475	80,032	86,543
	5,780	9,816	36,248	51,844	358,714	45,223	403,937	455,781
Segment profit/(loss) before amortisation and depreciation	1,640	(9,949)	2,847	(5,462)	72,704	(11,472)	61,232	55,770
Amortisation and depreciation	-	(812)	(1,022)	(1,834)	(51,318)	(7,787)	(59,105)	(60,939)
Segment profit/(loss)	1,640	(10,761)	1,825	(7,296)	21,386	(19,259)	2,127	(5,169)
Other material items:								
Provision for impairment of other assets	-	(12,243)	-	(12,243)	-	(10,006)	(10,006)	(22,249)
Share of profits less losses of investments accounted for using the equity method	(59,584)	176	-	(59,408)	942	-	942	(58,466)
	(59,584)	(12,067)	-	(71,651)	942	(10,006)	(9,064)	(80,715)
Finance costs:								
Finance income (note a)	-	1,025	4	1,029	2,485	278	2,763	3,792
Finance expenses (note a)	-	-	(6)	(6)	(1,674)	-	(1,674)	(1,680)
	-	1,025	(2)	1,023	811	278	1,089	2,112
Segment profit/(loss) before taxation	(57,944)	(21,803)	1,823	(77,924)	23,139	(28,987)	(5,848)	(83,772)
Unallocated corporate expenses								(56,907)
Loss before taxation								(140,679)
Expenditure for operating segment non-current assets	-	1,450	1,281	2,731	47,426	30	47,456	50,187
Unallocated expenditure for non-current assets								2
Total expenditure for non-current assets								50,189

### Note (a):

Inter-segment interest income and inter-segment interest expenses amounted to HK\$2,307,000 and HK\$6,000 were included in the finance income and finance expenses respectively.



## 2 Turnover, revenue and segment information (Continued)

The segment assets and liabilities at 30 June 2018 are as follows:

	Unaudited							
	As at 30 June 2018							
	Technology Platform and Investments				Media Business			
	E-Commerce Group	Mobile Internet Group	Social Network Group	Sub-total	Publishing Group	Advertising Group	Sub-total	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	87,180	647,868	47,542	782,590	1,248,054	171,213	1,419,267	2,201,857
Investments accounted for using the equity method	1,285,331	5,531	-	1,290,862	2,944	-	2,944	1,293,806
Unallocated assets								20,754
<b>Total assets</b>								<b>3,516,417</b>
Segment liabilities	23,968	63,367	18,369	105,704	347,012	58,145	405,157	510,861
Unallocated liabilities:								
Corporate liabilities								70,338
Current taxation								22,380
Deferred taxation								15,948
Borrowings								2,867,973
<b>Total liabilities</b>								<b>3,487,500</b>

The segment assets and liabilities at 31 December 2017 are as follows:

	Audited							
	As at 31 December 2017							
	Technology Platform and Investments				Media Business			
	E-Commerce Group	Mobile Internet Group	Social Network Group	Sub-total	Publishing Group	Advertising Group	Sub-total	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	85,181	629,769	45,344	760,294	1,249,684	166,177	1,415,861	2,176,155
Investments accounted for using the equity method	1,322,629	6,063	-	1,328,692	4,900	-	4,900	1,333,592
Unallocated assets								47,424
<b>Total assets</b>								<b>3,557,171</b>
Segment liabilities	23,736	61,342	19,279	104,357	354,443	59,542	413,985	518,342
Unallocated liabilities:								
Corporate liabilities								72,237
Current taxation								19,317
Deferred taxation								8,566
Borrowings								2,861,225
<b>Total liabilities</b>								<b>3,479,687</b>

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 other assets

No provision has been made in the current period (2017: provision for impairment of an available-for-sale financial asset of HK\$12,243,000 held by the Mobile Internet Group and certain fixed assets of HK\$10,006,000 of the outdoor media operation under the Advertising Group). These provisions were made with reference to the reduced estimated recoverable values of respective assets.

### 4 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 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Associated companies	<u>1,293,806</u>	<u>1,333,592</u>

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

	Unaudited Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Associated companies	<u>(38,404)</u>	<u>(58,466)</u>

Note:

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 2018, as if the Ule Share Incentive Options were all granted, fully vested and exercised, Ule Holdings would be held as to 43.08%, 38.75%, 13.18% and 4.99% 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 30 June 2018 and 2017, Ule Major Shareholder Options are not yet exercisable as the Qualified IPO has not occurred.

#### 4 Investments accounted for using the equity method (Continued)

Note (Continued):

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 2018, 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 2018. All the outstanding options will be expired in October 2027.

#### 5 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	
	2018	2017
	HK\$'000	HK\$'000
<b>Charging:</b>		
Depreciation	9,765	15,574
Amortisation of other intangible assets	51,013	46,396
Provision for impairment of an available-for-sale financial asset	-	12,243
Exchange loss, net	-	648
	<u>          </u>	<u>          </u>
<b>Crediting:</b>		
Dividend income from financial assets at FVOCI	511	-
Dividend income from available-for-sale financial assets	-	447
Recovery from a previously fully written off receivable of discontinued operations	2,736	-
Gain on disposal of a former subsidiary (note a)	3,660	-
Gain on disposal of subsidiaries (note b)	-	1,186
Gain on disposal of fixed assets	20	106
Exchange gain, net	1,667	-
	<u>          </u>	<u>          </u>

Notes:

- (a) 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 interest in the Entity was completed in January 2018. Accordingly, a gain on disposal of approximately HK\$3,660,000 was recognised in the current period.
- (b) In March 2017, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in two subsidiaries engaging in outdoor media business in Shandong, at a consideration of RMB1,000,000 (approximately HK\$1,130,000). Upon the disposal of equity interests in the two subsidiaries, a consideration payable of RMB2,500,000 (approximately HK\$2,825,000) was written back. As a result, a gain on disposal amounting to approximately HK\$1,186,000 (include the write-back of consideration payable) was recognised in the condensed consolidated interim income statement for the period ended 30 June 2017.

## 6 Finance costs, net

	Unaudited	
	Six months ended 30 June 2018	2017
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	(30,742)	(31,052)
Bank interest income	1,691	1,489
	<u>(29,051)</u>	<u>(29,563)</u>

## 7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 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 (credited)/charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June 2018	2017
	HK\$'000	HK\$'000
Overseas taxation	4,074	4,113
Under-provision in prior years	719	534
Deferred taxation	(5,010)	897
Taxation (credit)/charge	<u>(217)</u>	<u>5,544</u>

## 8 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 June 2018 (2017: Nil).

## 9 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\$64,453,000 (2017: HK\$138,305,000) and the weighted average of 3,893,270,558 (2017: 3,893,270,558) 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 2018 (2017: Same).

## 10 Trade and other receivables

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Trade receivables	254,840	246,964
Prepayments, deposits and other receivables	285,312	266,677
	<u>540,152</u>	<u>513,641</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 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Current	107,894	82,812
31 – 60 days	65,400	77,891
61 – 90 days	40,224	41,310
Over 90 days	103,138	108,128
	<u>316,656</u>	<u>310,141</u>
Less: Provision for impairment	(61,816)	(63,177)
	<u>254,840</u>	<u>246,964</u>

## 11 Trade and other payables

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Trade payables	130,863	142,251
Other payables and accruals, and receipts in advance	421,739	416,850
	<u>552,602</u>	<u>559,101</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 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Current	36,644	45,917
31 – 60 days	17,810	16,745
61 – 90 days	6,790	7,290
Over 90 days	69,619	72,299
	<u>130,863</u>	<u>142,251</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 2018 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 2018 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 2018, 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 2018.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30 June 2018, 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.

## **PUBLIC FLOAT**

The Board confirms that the public float of the Company remains to be below the minimum 25% of the total issued share capital of the Company required to be held by the public pursuant to Rule 8.08(1)(a) of the Listing Rules.

As at the date of this announcement, based on information available to the Company and within the knowledge of the Directors, the issued share capital of the Company held by the public is approximately 23.955%, which is below the minimum public float percentage.

The Company is still in the process of considering steps to restore the public float to 25% so as to be in compliance with the Listing Rules.

## 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
“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 as set out in Appendix 14 to the Listing Rules
“Director(s)”	means the director(s) of the Company
“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” 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 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

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent Non-executive Directors:</i>
<i>Mr. Yeung Kwok Mung</i>	<i>Mr. Frank Sixt (Chairman)</i>	<i>Mr. Henry Cheong</i>
<i>Ms. Angela Mak</i>	<i>Ms. Debbie Chang</i>	<i>Mr. James Sha</i>
	<i>Mrs. Angelina Lee</i>	<i>Mr. Albert Ip</i>
		<i>Alternate Director:</i>
		<i>Mr. Dominic Lai</i>
		<i>(Alternate to Mr. Frank Sixt)</i>