



TOM Group Limited

Incorporated in the Cayman Islands with Limited Liability
(Stock Code: 2383)

Interim Report
2020



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Disclaimer

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

Definitions

“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“B2B”	means business-to-business
“B2C”	means business-to-consumer
“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

Definitions

“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 report, 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

Corporate Information

Board of Directors

Chairman
Frank John Sixt

Executive Director
Yeung Kwok Mung

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

Independent Non-executive Directors
James Sha
Ip Yuk-keung, Albert
Fong Chi Wai, Alex

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

Company Secretary
Man Tak Cheung

Authorised Representatives
Yeung Kwok Mung
Man Tak Cheung

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

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

Auditor
PricewaterhouseCoopers
(Certified Public Accountants
and Registered PIE Auditor)

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

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

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

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

Website Address
www.tomgroup.com

Stock Code
2383

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

Contingent Liabilities

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

Significant Investments

As at 30 June 2020, details of significant investments (with individual investment value of 5 per cent or more of the Group's total assets) held by the Group were set out as follows:

Nature of investments	Number of shares held by the Group	Interests held on issued basis	Investment cost HK\$	Carrying value HK\$	Total assets of the Group HK\$	Carrying value to total assets of the Group
(i) Ule						
– Ordinary shares	425,086,000					
– Preferred shares	12,224,730					
Total	<u>437,310,730</u>	<u>42.00%</u>	<u>94,251,000</u>	<u>1,140,559,000</u>	<u>4,500,864,000</u>	<u>25.34%</u>
(ii) WeLab						
– Preferred shares	3,769,357	8.26%	256,336,000	837,340,000	4,500,864,000	18.60%

(i) Investment in Ule

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

During the six months ended 30 June 2020, share of operating loss of HK\$42,708,000 in the condensed consolidated interim income statement and share of unrealised gain of HK\$1,114,000 on revaluation of the investment in the condensed consolidated interim statement of comprehensive income have been recorded by the Group for its investment in Ule.

No dividend has been received from the investment in Ule during the six months ended 30 June 2020. The investment in Ule represents an opportunity to sustainable growth of the Group and to continue its business strategy of becoming a leading investor in the e-commerce/new retail business in rural areas of Mainland China.

Management's Discussion and Analysis

(ii) Investment in WeLab

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

During the six months ended 30 June 2020, no unrealised profit or loss on revaluation of the investment in WeLab has been recorded by the Group. No realised gain or dividend has been received from this investment. The Group believe that the investment in WeLab will create synergies with the Group's other technology related businesses.

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

Subsequent Events

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.

Management's Discussion and Analysis

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this 2020 Interim Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained in this 2020 Interim Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this 2020 Interim Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Disclaimer:

Non-GAAP measures

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

Independent Review Report

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羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TOM GROUP LIMITED *(incorporated in the Cayman Islands with limited liability)*

Introduction

We have reviewed the interim financial information set out on pages 13 to 42, which comprises the condensed consolidated interim statement of financial position of TOM Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2020 and the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 August 2020

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Condensed Consolidated Interim Financial Information

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Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	367,864	432,257
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	7	(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	6	–	80,302
		(21,357)	96,409
Share of profits less losses of investments accounted for using the equity method	16		
– Share of operating losses		(42,454)	(49,858)
– Share of fair value losses on financial liabilities at fair value through profit or loss		–	(80,302)
		(42,454)	(130,160)
Loss before net finance costs and taxation	8	(63,811)	(33,751)
Finance income		4,016	2,196
Finance costs		(53,145)	(43,279)
Finance costs, net	9	(49,129)	(41,083)
Loss before taxation		(112,940)	(74,834)
Taxation	10	(2,521)	(6,884)
Loss for the period		(115,461)	(81,718)
Attributable to:			
– Non-controlling interests		(3,596)	361
– Equity holders of the Company		(111,865)	(82,079)
Loss per share attributable to equity holders of the Company during the period			
Basic and diluted	12	HK(2.83) cents	HK(2.07) cents

Condensed Consolidated Interim Financial Information

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 Financial Information

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Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	13	34,602	38,325
Right-of-use assets		42,842	47,309
Investment properties		21,076	21,268
Goodwill	14	570,573	570,856
Other intangible assets	15	135,739	134,509
Investments accounted for using the equity method	16	1,157,838	1,201,769
Financial assets at fair value through other comprehensive income	17	952,757	955,859
Deferred tax assets		47,518	45,767
Pension assets		2,745	2,745
Other non-current assets		100	1,841
		2,965,790	3,020,248
Current assets			
Inventories		100,732	101,935
Trade and other receivables	18	472,198	496,994
Restricted cash	19	6,517	7,598
Cash and cash equivalents		935,756	371,776
Financial assets at fair value through other comprehensive income	17	19,871	–
		1,535,074	978,303
Current liabilities			
Trade and other payables	20	528,262	566,103
Taxation payable		18,257	14,502
Long-term bank loans – current portion	21	21,607	11,633
Short-term bank loans	21	39,285	38,775
Lease liabilities – current portion		26,358	26,877
		633,769	657,890
Net current assets		901,305	320,413
Total assets less current liabilities		3,867,095	3,340,661

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2020

		Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		13,340	12,857
Long-term bank loans – non-current portion	21	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	22	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 Financial Information

Condensed Consolidated Interim Statement of Changes In Equity

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				Non-controlling interests HK\$'000	Total equity HK\$'000		
							through other comprehensive income reserve HK\$'000	Properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000			Accumulated losses HK\$'000	Total shareholders' deficits HK\$'000
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	-	-	-	-	-	-	-	-	-	-	(11,865)	(11,865)	(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	1,114
Exchange translation differences	-	-	-	-	-	-	-	-	344	-	-	344	2,309	2,653
Total comprehensive (expense)/income for the period ended 30 June 2020	-	-	-	-	-	-	947	-	344	-	(11,865)	(110,574)	(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 Financial Information

Condensed Consolidated Interim Statement of Changes In Equity

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					Total equity/(deficit) HK\$'000		
Income reserve HK\$'000							Properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total shareholders' deficits HK\$'000		Non-controlling interests HK\$'000	
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

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Net cash inflow from operations		57,767	75,058
Interest paid		(40,323)	(33,134)
Overseas taxation paid		(268)	(4,933)
Net cash from operating activities		17,176	36,991
Cash flows from investing activities			
Capital expenditures		(56,320)	(61,756)
Capital investment in a financial asset at fair value through other comprehensive income		(15,600)	–
Proceeds from disposal of fixed assets		5	87
Disposal of subsidiaries		203	(2,046)
Loan to an associated company	6	–	(137,733)
Dividends received		2,069	1,354
Net cash used in investing activities		(69,643)	(200,094)
Cash flows from financing activities			
New bank loans	21	676,190	225,240
Loan repayments	21	(32,022)	(44,260)
Loan arrangement fee paid		(10,158)	(7,371)
Principal elements of lease payments		(14,754)	(16,552)
Dividends paid to non-controlling interests		(5,029)	(4,349)
Decrease/(increase) in restricted cash	19	1,081	(2,187)
Net cash from financing activities		615,308	150,521
Increase/(decrease) in cash and cash equivalents		562,841	(12,582)
Cash and cash equivalents at 1 January		371,776	386,064
Exchange adjustment		1,139	(1,340)
Cash and cash equivalents at 30 June		935,756	372,142

Notes to the Condensed Consolidated Interim Financial Information

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1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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.

2 Accounting policies

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.

3 Critical accounting estimates and judgements

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including cash flow interest rate risk, foreign currency risk and price risk).

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since the year ended 31 December 2019.

(b) Fair value estimation

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

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
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As at 30 June 2020 (Unaudited)

Assets

Investment properties	–	–	21,076	21,076
Financial assets at fair value through other comprehensive income ("FVOCI") – Equity securities (note)	66,620	–	906,008	972,628

Total assets	66,620	–	927,084	993,704
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Total liabilities	–	–	–	–
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As at 31 December 2019 (Audited)

Assets

Investment properties	–	–	21,268	21,268
Financial assets at FVOCI – Equity securities (note)	74,174	–	881,685	955,859

Total assets	74,174	–	902,953	977,127
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Total liabilities	–	–	–	–
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Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

Note:

Certain financial assets at FVOCI of HK\$843,193,000 have been fair valued as at 30 June 2020 by an independent external valuer. As at 30 June 2020, the fair values of the financial assets at FVOCI were arrived by reference to the subscription price of latest round of financing of equity interests.

Included in financial assets at FVOCI, the Group owns 8.26% (31 December 2019: 8.26%) equity interests in WeLab as at 30 June 2020.

During the period ended 30 June 2020, purchase of an equity security amounting to HK\$15,600,000 was added to the financial assets at FVOCI at Level 3 and a gain of HK\$8,723,000 was recognised in other comprehensive income from the financial assets at FVOCI at Level 3.

Changing unobservable inputs in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

There were no transfers among Level 1, Level 2 and Level 3 during the six months ended 30 June 2020. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

5 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.

Notes to the Condensed Consolidated Interim Financial Information

5 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	Total HK\$'000
Gross segment revenue	3,434	5,111	23,473	32,018	321,527	15,136	336,663	368,681
Inter-segment revenue	-	-	(588)	(588)	(1)	(228)	(229)	(817)
Net revenue from external customers	3,434	5,111	22,885	31,430	321,526	14,908	336,434	367,864
Timing of revenue recognition:								
At a point in time	30	1,731	22,885	24,646	290,151	773	290,924	315,570
Over time	3,404	3,380	-	6,784	31,375	14,135	45,510	52,294
	3,434	5,111	22,885	31,430	321,526	14,908	336,434	367,864
Segment profit/(loss) before amortisation and depreciation	(2,493)	(1,773)	207	(4,059)	80,685	(1,045)	79,640	75,581
Amortisation and depreciation	(1)	(1,512)	(3,012)	(4,525)	(66,352)	(696)	(67,048)	(71,573)
Segment profit/(loss)	(2,494)	(3,285)	(2,805)	(8,584)	14,333	(1,741)	12,592	4,008
Other material items:								
Gain on disposal of a subsidiary	-	-	-	-	-	2,372	2,372	2,372
Share of profits less losses of investments accounted for using the equity method - Share of operating (losses)/profits	(42,691)	(538)	-	(43,229)	775	-	775	(42,454)
	(42,691)	(538)	-	(43,229)	775	2,372	3,147	(40,082)
Finance costs:								
Finance income (note a)	2	1,005	3	1,010	1,522	269	1,791	2,801
Finance expenses	-	(40)	(44)	(84)	(1,112)	(39)	(1,151)	(1,235)
	2	965	(41)	926	410	230	640	1,566
Segment profit/(loss) before taxation	(45,183)	(2,858)	(2,846)	(50,887)	15,518	861	16,379	(34,508)
Unallocated corporate expenses								(78,432)
Loss before taxation								(112,940)
Expenditure for operating segment non-current assets	-	1,815	1,149	2,964	67,432	-	67,432	70,396
Unallocated expenditure for non-current assets								-
Total expenditure for non-current assets								70,396

Note (a):

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

Notes to the Condensed Consolidated Interim Financial Information

5 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			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	4,649	6,797	35,999	47,445	362,063	23,398	385,461	432,906
Inter-segment revenue	-	-	(483)	(483)	-	(166)	(166)	(649)
Net revenue from external customers	4,649	6,797	35,516	46,962	362,063	23,232	385,295	432,257
Timing of revenue recognition:								
At a point in time	71	2,165	35,516	37,752	330,021	3,176	333,197	370,949
Over time	4,578	4,632	-	9,210	32,042	20,056	52,098	61,308
	4,649	6,797	35,516	46,962	362,063	23,232	385,295	432,257
Segment profit/(loss) before amortisation and depreciation	(1,888)	(2,213)	2,926	(1,175)	95,589	1,090	96,679	95,504
Amortisation and depreciation	-	(2,678)	(2,222)	(4,900)	(67,473)	(2,358)	(69,831)	(74,731)
Segment profit/(loss)	(1,888)	(4,891)	704	(6,075)	28,116	(1,268)	26,848	20,773
Other material items:								
Fair value gain on financial asset at fair value through profit or loss ("FVPL")	80,302	-	-	80,302	-	-	-	80,302
Gain on dilution of shareholding in associated companies	26,320	-	-	26,320	-	-	-	26,320
Loss on disposal of subsidiaries	-	-	-	-	-	(5,081)	(5,081)	(5,081)
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	(49,858)
- Share of fair value losses on financial liabilities at FVPL	(80,302)	-	-	(80,302)	-	-	-	(80,302)
	(24,206)	(447)	-	(24,653)	1,115	(5,081)	(3,966)	(28,619)
Finance costs:								
Finance income (note a)	639	1,014	53	1,706	1,961	334	2,295	4,001
Finance expenses	-	(110)	(22)	(132)	(1,529)	(165)	(1,694)	(1,826)
	639	904	31	1,574	432	169	601	2,175
Segment profit/(loss) before taxation	(25,455)	(4,434)	735	(29,154)	29,663	(6,180)	23,483	(5,671)
Unallocated corporate expenses								(69,163)
Loss before taxation								(74,834)
Expenditure for operating segment non-current assets	-	132	11,657	11,789	59,988	1,491	61,479	73,268
Unallocated expenditure for non-current assets								-
Total expenditure for non-current assets								73,268

Note (a):

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

Notes to the Condensed Consolidated Interim Financial Information

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5 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			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	
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

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

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

	Audited							Total
	As at 31 December 2019							
	Technology Platform and Investments				Media Business			
E-Commerce Group	Mobile Internet Group	Social Network Group	Sub-total	Publishing Group	Advertising Group	Sub-total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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								<u>105,919</u>
Total assets								<u>3,998,551</u>
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								<u>3,162,861</u>
Total liabilities								<u>3,821,667</u>

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.

Notes to the Condensed Consolidated Interim Financial Information

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6 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 Limited (“Ule Holdings”), a material associated company of the Group, to subscribe for its shareholding pro-rata amount of US\$17,658,100 (equivalent to HK\$137,733,000) loan to Ule Holdings for a period of up to 24 months with interest bearing at 3 months Hong Kong Interbank Offered Rate plus 2% per annum. Pursuant to the loan facility, the Group has an option, commencing from 6 months after the drawdown date, to demand early repayment from Ule Holdings by way of transfer of collateral, which is an unlisted equity instrument (the “Option”). Accordingly, 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.

7 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>

Notes to the Condensed Consolidated Interim Financial Information

8 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 (note 13)	8,716	9,038
Depreciation of right-of-use assets	15,071	16,987
Amortisation of other intangible assets (note 15)	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
Crediting:		
Dividend income from financial assets at FVOCI	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

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 to the Condensed Consolidated Interim Financial Information

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8 Loss before net finance costs and taxation (Continued)

Notes:

- (a) In April 2019, a subsidiary of the Advertising Group entered into an agreement to dispose its entire interests in two subsidiaries engaging in outdoor media business, at a total consideration of RMB5,000,000 (approximately HK\$5,650,000). The disposal of equity interest in the two subsidiaries was completed in June 2019. Accordingly, a loss on disposal of approximately HK\$5,081,000 was recognised in the condensed consolidated interim income statement for the period ended 30 June 2019.
- (b) In April 2019, one of the major shareholders of Ule Holdings (“Ule Major Shareholder”) subscribed certain Series A Preferred Shares of Ule Holdings. Following the subscription by Ule Major Shareholder, the equity interest in Ule Holdings held by the non-wholly owned subsidiary of the Group decreased from 42.52% to 42.00%. Accordingly, a gain on dilution of shareholding in Ule Holdings of approximately HK\$26,320,000 was recognised in the 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.

9 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>

Notes to the Condensed Consolidated Interim Financial Information

10 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	(604)	2,916
Taxation charge	2,521	6,884

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

11 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 June 2020 (2019: Nil).

12 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).

Notes to the Condensed Consolidated Interim Financial Information

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13 Fixed assets

	<i>HK\$'000</i>
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Net book value	
At 1 January 2019	44,297
Additions	9,573
Disposals of subsidiaries	(2,883)
Depreciation charge	(9,038)
Exchange adjustment	(151)
	<hr/>
At 30 June 2019 (unaudited)	41,798
	<hr/>
Net book value	
At 1 January 2020	38,325
Additions (note)	5,326
Disposals	(7)
Disposal of a subsidiary	(467)
Depreciation charge	(8,716)
Exchange adjustment	141
	<hr/>
At 30 June 2020 (unaudited)	34,602
	<hr/>

Note:

During the period ended 30 June 2020, major fixed assets acquired by the Group were computer equipment amounting to HK\$4,708,000.

Notes to the Condensed Consolidated Interim Financial Information

14 Goodwill

	<i>HK\$'000</i>
Net book value	
At 1 January 2019	578,363
Exchange adjustment	(58)
	<u>578,305</u>
At 30 June 2019 (unaudited)	<u>578,305</u>
Net book value	
At 1 January 2020	570,856
Exchange adjustment	(283)
	<u>570,573</u>
At 30 June 2020 (unaudited)	<u>570,573</u>

15 Other intangible assets

	<i>Publishing rights HK\$'000</i>	<i>Trademarks and domain names HK\$'000</i>	<i>Total HK\$'000</i>
Net book value			
At 1 January 2019	127,835	285	128,120
Additions	53,601	–	53,601
Amortisation charge	(51,829)	(40)	(51,869)
Exchange adjustment	(803)	(2)	(805)
	<u>128,804</u>	<u>243</u>	<u>129,047</u>
At 30 June 2019 (unaudited)	<u>128,804</u>	<u>243</u>	<u>129,047</u>
Net book value			
At 1 January 2020	134,276	233	134,509
Additions	50,994	–	50,994
Amortisation charge	(50,905)	(42)	(50,947)
Exchange adjustment	1,180	3	1,183
	<u>135,545</u>	<u>194</u>	<u>135,739</u>
At 30 June 2020 (unaudited)	<u>135,545</u>	<u>194</u>	<u>135,739</u>

Notes to the Condensed Consolidated Interim Financial Information

16 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	1,157,838	1,201,769

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)	–	(80,302)
	(42,454)	(130,160)

Interests in associated companies

Movements in interests in associated companies during the period:

	Unaudited Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
At 1 January	1,201,769	1,259,461
Share of profits less losses		
– Share of operating losses	(42,454)	(49,858)
– Share of fair value losses on financial liabilities at FVPL (note b)	–	(80,302)
Share of revaluation surplus through other comprehensive income from an associated company	1,114	86,127
Share of increase in share capital of an associated company (note 8(b))	–	41,184
Carrying value of certain interests in associated companies disposed of (note 8(b))	–	(14,864)
Dividend paid and payable	(2,972)	(1,354)
Exchange adjustment	381	(504)
At 30 June (unaudited)	1,157,838	1,239,890

Notes to the Condensed Consolidated Interim Financial Information

16 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

Notes:

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

As at 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.

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.

Notes to the Condensed Consolidated Interim Financial Information

17 Financial assets at fair value through other comprehensive income

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

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
Current portion (note)	19,871	–
Non-current portion	952,757	955,859

Note:

In June 2020, the Group signed an agreement to dispose a financial asset at FVOCI and subject to certain conditions for completion. Accordingly, the Group has classified the financial asset at FVOCI from non-current assets to current assets. The disposal has been completed in July 2020.

18 Trade and other receivables

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

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.

Notes to the Condensed Consolidated Interim Financial Information

18 Trade and other receivables (Continued)

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

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
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>
Represented by:		
Receivables from associated companies	117	160
Receivables from third parties	217,191	240,804
	<u>217,308</u>	<u>240,964</u>

19 Restricted cash

At 30 June 2020, NT\$24,882,000 (approximately HK\$6,517,000) (31 December 2019: NT\$24,882,000 (approximately HK\$6,433,000)) was pledged in favour of certain publishing distributors as retainer fee for potential sales return, and banks as security for credit card and advance receipt in Taiwan. At 31 December 2019, RMB1,049,000 (approximately HK\$1,165,000) was also pledged in favour of the courts for legal proceedings in Mainland China.

Notes to the Condensed Consolidated Interim Financial Information

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20 Trade and other payables

	Unaudited 30 June 2020 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
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 contract liabilities primarily relate to the advance consideration received from customers, or the Group has unconditional right to considerations before the goods or services are delivered.

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 <i>HK\$'000</i>	Audited 31 December 2019 <i>HK\$'000</i>
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>
Represented by:		
Payables to third parties	<u>129,895</u>	<u>134,229</u>

Notes to the Condensed Consolidated Interim Financial Information

21 Movements in borrowings

	Short-term bank loans <i>HK\$'000</i>	Long-term bank loans <i>HK\$'000</i>	Transaction costs arising on bank facility <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019	38,130	2,899,016	(15,073)	2,922,073
Recognition of transaction costs	–	–	(50)	(50)
Amortisation on transaction costs	–	–	3,833	3,833
Borrowings	25,240	200,000	–	225,240
Repayments	(25,240)	(19,020)	–	(44,260)
Exchange adjustment	(270)	(774)	–	(1,044)
As at 30 June 2019 (unaudited)	<u>37,860</u>	<u>3,079,222</u>	<u>(11,290)</u>	<u>3,105,792</u>
As at 1 January 2020	38,775	3,135,306	(11,220)	3,162,861
Recognition of transaction costs	–	–	(863)	(863)
Amortisation on transaction costs	–	–	2,056	2,056
Borrowings	26,190	650,000	–	676,190
Repayments	(26,190)	(5,832)	–	(32,022)
Exchange adjustment	510	1,060	–	1,570
As at 30 June 2020 (unaudited)	<u>39,285</u>	<u>3,780,534</u>	<u>(10,027)</u>	<u>3,809,792</u>

Notes to the Condensed Consolidated Interim Financial Information

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22 Share capital

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Company – Authorised		
At 1 January and 30 June 2019 and 1 January and 30 June 2020	<u>5,000,000,000</u>	<u>500,000</u>
Company – Issued and fully paid		
At 1 January and 30 June 2019 and 1 January and 30 June 2020	<u>3,958,510,558</u>	<u>395,852</u>

23 Pledge of assets

Save as disclosed in note 19 to the condensed consolidated interim financial information, the Group had no pledge of assets as at 30 June 2020 (31 December 2019: Nil).

24 Contingent liabilities

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

25 Capital commitments

As at 30 June 2020, the Group had no significant capital commitments.

Notes to the Condensed Consolidated Interim Financial Information

26 Related party transactions

A summary of significant related party transactions is set out below:

(a) Sales of goods and services

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Provision of services to		
– CKHH and its subsidiary	–	295
– Associated companies	4,095	5,543
Interest income on loan to an associated company	–	636

(b) Purchase of goods and services

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Purchase of services payable to		
– Non-controlling interests of a subsidiary and their subsidiaries	374	1,099
Rental payable to		
– Non-controlling interests of subsidiaries and their subsidiaries	23	426
Service fees payable to		
– CKHH and its subsidiaries	1,388	1,739

A substantial shareholder of the Company granted guarantee to the Company at a guarantee fee equivalent to 0.5% per annum (2019: Same) for aggregate principal amount outstanding under a loan facility of HK\$3,700 million (2019: HK\$3,200 million). For the six months ended 30 June 2020, guarantee fee amounted to approximately HK\$8,474,000 was paid by the Company (2019: HK\$7,053,000) to the substantial shareholder.

(c) Key management compensation

For the six months ended 30 June 2020, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation) (2019: Nil).

Notes to the Condensed Consolidated Interim Financial Information

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27 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.

28 Approval of interim financial information

The condensed consolidated interim financial information was approved by the Board of Directors on 5 August 2020.

Disclosure of Interests

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

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

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Disclosure of Interests

Interests and Short Positions of Substantial Shareholders

As at 30 June 2020, the persons or corporations (not being a Director or chief executive) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or had otherwise notified to the Company were as follows:

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

Disclosure of Interests

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

(L) denotes a long position

Notes:

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

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

Disclosure of Interests

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

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

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

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

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

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

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

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

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

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Audit Committee

The Company has established an Audit Committee in January 2000. The Audit Committee currently consists of three Independent Non-executive Directors and one Non-executive Director. The Chairman of the Audit Committee has the appropriate professional qualifications, accounting or related financial management expertise. It is chaired by Mr. Ip Yuk-keung, Albert and the other members include Mr. James Sha, Mrs. Lee Pui Ling, Angelina and Dr. Fong Chi Wai, Alex. Written terms of reference in compliance with the Listing Rules have been adopted for the Audit Committee.

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

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 has been reviewed by the Audit Committee.

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.

Other Information

Purchase, Sale or Redemption of Shares

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

Change in Other Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors of the Company required to be disclosed are shown as follows:

Name of Director	Details of the Changes
Frank John Sixt	Non-executive director of TPG Telecom Limited, the shares of which were listed on the Australian Securities Exchange with effect from 30 June 2020
Ip Yuk-keung, Albert	Resigned as Honorary Professor of Lingnan University on 31 July 2020