

INTERIM REPORT

2018



TOM Group Limited

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

Contents

2	Definitions
4	Corporate Information
5	Chairman’s Statement
6	Management’s Discussion and Analysis
11	Independent Review Report
12	Interim Financial Information
19	Notes to the Condensed Consolidated Interim Financial Information
43	Disclosure of Interests
47	Corporate Governance
48	Other Information

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

Definitions

“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

Corporate Information

Board of Directors

Chairman
Frank John Sixt

Executive Directors
Yeung Kwok Mung
Mak Soek Fun, Angela

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

Independent Non-executive Directors
Cheong Ying Chew, Henry
James Sha
Ip Yuk-keung, Albert

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

Company Secretary
Mak Soek Fun, Angela

Authorised Representatives
Yeung Kwok Mung
Mak Soek Fun, Angela

Audit Committee

Cheong Ying Chew, Henry
(Committee Chairman)
James Sha
Lee Pui Ling, Angelina
Ip Yuk-keung, Albert

Remuneration Committee

Cheong Ying Chew, Henry
(Committee Chairman)
Frank John Sixt
Ip Yuk-keung, Albert
Lai Kai Ming, Dominic
(Alternate to Frank John Sixt)

Auditor

PricewaterhouseCoopers

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
China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2121 7838
Fax: (852) 2186 7711

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

Website Address

www.tomgroup.com

Stock Code

2383

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), 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 HK\$'000	30 June 2017 HK\$'000
Consolidated revenue	451,270	455,781
Loss ⁽¹⁾ before impairment charges ⁽²⁾	(36,364)	(88,867)
Assets impairment ⁽²⁾	–	(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

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

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.

Management's Discussion and Analysis

Past Performance and Forward-looking Statements

The performance and the results of operations of the Group contained in this 2018 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 2018 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 2018 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) 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.

Independent Review Report



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 12 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 2018 and the related condensed consolidated interim income statement, interim statement of comprehensive income, interim statement of changes in equity and 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 August 2018

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Interim Financial Information

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2018

	Note	Unaudited	
		Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
Revenue	5	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
		2,040	(30,401)
Provision for impairment of other assets	6	–	(22,249)
		2,040	(52,650)
Share of profits less losses of investments accounted for using the equity method	15	(38,404)	(58,466)
Loss before net finance costs and taxation	7	(36,364)	(111,116)
Finance income		1,691	1,489
Finance costs		(30,742)	(31,052)
Finance costs, net	8	(29,051)	(29,563)
Loss before taxation		(65,415)	(140,679)
Taxation	9	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	11	HK(1.66) cents	HK(3.55) cents

Interim Financial Information

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

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2018

		Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	12	44,810	46,547
Investment properties	12	22,978	–
Goodwill	13	581,268	580,556
Other intangible assets	14	124,744	129,651
Investments accounted for using the equity method	15	1,293,806	1,333,592
Financial assets at fair value through other comprehensive income	4	366,685	–
Available-for-sale financial assets	4	–	357,642
Deferred tax assets		46,953	39,999
Other non-current assets		3,525	3,497
		2,484,769	2,491,484
Current assets			
Inventories		109,108	121,490
Trade and other receivables	16	540,152	513,641
Restricted cash	17	5,414	7,099
Cash and cash equivalents		376,974	423,457
		1,031,648	1,065,687
Current liabilities			
Trade and other payables	18	552,602	559,101
Taxation payable		22,380	19,317
Long-term bank loans – current portion	19	58,298	39,195
Short-term bank loans	19	38,865	39,195
		672,145	656,808
Net current assets		359,503	408,879
Total assets less current liabilities		2,844,272	2,900,363

Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2018

		Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		15,948	8,566
Long-term bank loans – non-current portion	19	2,770,810	2,782,835
Pension obligations		28,597	31,478
		<u>2,815,355</u>	<u>2,822,879</u>
Net assets		<u>28,917</u>	<u>77,484</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	20	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
Total equity		<u>28,917</u>	<u>77,484</u>

Interim Financial Information

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	Fair value through other compre- hensive income reserve HK\$'000				Non- controlling interests HK\$'000	Total equity HK\$'000				
							Available- for-sale financial assets reserve HK\$'000	Properties revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000			Accumulated losses HK\$'000	Total shareholders' deficits HK\$'000		
Balance at 31 December 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 (note 2)	-	-	-	-	-	-	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	
Comprehensive income:																
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(64,453)	(64,453)	(745)	(65,198)	
Other comprehensive income:																
Realization 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	-	-	-	-	-	-	-	-	-	9,730	-	(64,453)	(40,098)	(552)	(40,650)	
Transactions with equity holders:																
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	

Interim Financial Information

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)
Comprehensive income:													
Loss for the period	-	-	-	-	-	-	-	-	-	(138,305)	(138,305)	(7,918)	(146,223)
Other comprehensive income:													
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)
Transactions with equity holders:													
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)

Interim Financial Information

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash inflow from operations		36,472	6,543
Interest paid		(18,980)	(20,041)
Overseas taxation paid		(1,481)	(2,876)
Net cash from/(used in) operating activities		16,011	(16,374)
Cash flows from investing activities			
Capital expenditures		(59,208)	(50,189)
Proceeds from disposal of fixed assets		36	150
Disposal of subsidiaries		–	1,044
Capital investment in a financial asset at fair value through other comprehensive income		(3,900)	–
Disposal of a former subsidiary	7(a)	3,660	–
Dividends received		3,770	2,992
Net cash used in investing activities		(55,642)	(46,003)
Cash flows from financing activities			
New bank loans	19	51,165	103,944
Loan repayments	19	(45,980)	(50,072)
Loan arrangement fee paid		(7,780)	(6,305)
Dividends paid to non-controlling interests		(7,917)	–
Decrease/(increase) in restricted cash	17	1,685	(961)
Net cash (used in)/from financing activities		(8,827)	46,606
Decrease in cash and cash equivalents		(48,458)	(15,771)
Cash and cash equivalents at 1 January		423,457	377,180
Exchange adjustment		1,975	11,984
Cash and cash equivalents at 30 June		376,974	373,393

Notes to the Condensed Consolidated Interim Financial Information

1 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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.

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 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 and the new accounting policies are disclosed in note 2(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.

Notes to the Condensed Consolidated Interim Financial Information

2 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. The impact is explained in more details in notes 2(b)(i), (ii) and (iii) below.

Condensed consolidated interim statement of financial position (extract)

	As at 31 December 2017 As originally presented <i>HK\$'000</i>	Impact on initial adoption of HKFRS 9 <i>HK\$'000</i>	Impact on initial adoption of HKFRS 15 <i>HK\$'000</i>	As at 1 January 2018 Restated <i>HK\$'000</i>
Non-current assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	357,642	–	357,642
Available-for-sale financial assets	357,642	(357,642)	–	–
Current assets				
Inventories	121,490	–	(11,266)	110,224
Trade and other receivables	513,641	–	40,130	553,771
Current liabilities				
Trade and other payables	559,101	–	28,864	587,965

Notes to the Condensed Consolidated Interim Financial Information

2 Accounting policies (Continued)

(b) Effect of the adoption of the aforementioned new standards (Continued) Condensed consolidated interim income statement (extract)

	Six months ended 30 June 2018 without adoption of HKFRS 9 and 15 HK\$'000	Impact on adoption of HKFRS 9 HK\$'000	Impact on adoption of HKFRS 15 HK\$'000	Six months ended 30 June 2018 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)

(i) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 2(b)(ii) below. In accordance with the transitional provisions in HKFRS 9, the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 has been recognised as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) as at 1 January 2018.

The Group has elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, and reclassified to financial assets at FVOCI as at 1 January 2018.

Notes to the Condensed Consolidated Interim Financial Information

2 Accounting policies (Continued)

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

(i) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The total impact on the Group's condensed consolidated interim financial statements as at 1 January 2018 is as follows:

	Effect on available- for-sale financial assets reserve <i>HK\$'000</i>	Effect on FVOCI reserve <i>HK\$'000</i>	Effect on accumulated losses <i>HK\$'000</i>
Opening balance as at 31 December 2017	364,355	–	(5,459,790)
Reclassify available-for-sale financial assets reserve to FVOCI reserve	(364,355)	364,355	–
Reclassify impairment loss on equity securities previously recorded in profit or loss to FVOCI reserve	–	(18,392)	18,392
Opening balance as at 1 January 2018	–	345,963	(5,441,398)

Notes to the Condensed Consolidated Interim Financial Information

2 Accounting policies (Continued)

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

(ii) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Equity investments and other financial assets

Classification and measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Equity investments previously classified as available-for-sale

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Condensed Consolidated Interim Financial Information

2 Accounting policies (Continued)

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

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. In accordance with the transitional provisions in HKFRS 15, the comparative information for prior periods is not restated. The Group has elected to apply the new standard only to contracts that are not completed as at 1 January 2018. The adoption has no significant impact on the opening balance of accumulated losses (or other component of equity) as at 1 January 2018 to the Group. In summary, the impact on the condensed consolidated interim statement of financial position at the date of initial application (1 January 2018) was as follows:

	Carrying amount as at 31 December 2017 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Carrying amount as at 1 January 2018 <i>HK\$'000</i>
Inventories	121,490	(11,266)	110,224
Trade and other receivables	513,641	40,130	553,771
Trade and other payables	559,101	28,864	587,965

The adoption on HKFRS 15 has no significant impact on the Group's accounting.

(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.

Notes to the Condensed Consolidated Interim Financial Information

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 2017.

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 as at 31 December 2017.

There have been no changes in the risk management policies since the year ended 31 December 2017.

(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).

Notes to the Condensed Consolidated Interim Financial Information

4 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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.

There were no transfers among Level 1, Level 2 and Level 3 during the six months ended 30 June 2018. 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.

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

	Level 3 HK\$'000
As at 30 June 2018 (Unaudited)	
Assets	
Investment properties	22,978
Financial assets at FVOCI – Equity securities (note)	366,685
Total assets	389,663
Total liabilities	–
As at 31 December 2017 (Audited)	
Assets	
Available-for-sale financial assets – Equity securities	357,642
Total assets	357,642
Total liabilities	–

Note:

Included in financial assets at FVOCI, the Group owns 6.76% and 4.33% equity interests in WeLab and Rubikloud respectively as at 30 June 2018.

Notes to the Condensed Consolidated Interim Financial Information

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 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 2018 are as follows:

	Unaudited Six months ended 30 June 2018							Total HK\$'000
	Technology Platform and Investments				Media Business			
	E-Commerce Group HK\$'000	Mobile Internet Group HK\$'000	Social Network Group HK\$'000	Sub-total HK\$'000	Publishing Group HK\$'000	Advertising Group HK\$'000	Sub-total HK\$'000	
Gross segment revenue	4,451	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	4,451	12,980	38,600	56,031	369,673	25,566	395,239	451,270
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
	4,451	12,980	38,600	56,031	369,673	25,566	395,239	451,270
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)	582	(2,596)	3,120	1,106	27,927	(2,254)	25,673	26,779
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)
	-	1,041	1	1,042	817	484	1,301	2,343
Segment profit/(loss) before taxation	(38,676)	(1,561)	3,121	(37,116)	29,604	(1,770)	27,834	(9,282)
Unallocated corporate expenses								(56,133)
Loss before taxation								(65,415)
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								57,915

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.

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

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

	Unaudited Six months ended 30 June 2017							
	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	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.

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

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

	Unaudited As at 30 June 2018							Total HK\$'000
	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	
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								<u>20,754</u>
Total assets								<u>3,516,417</u>
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								<u>2,867,973</u>
Total liabilities								<u>3,487,500</u>

Notes to the Condensed Consolidated Interim Financial Information

5 Segment information (Continued)

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

	Audited As at 31 December 2017							Total HK\$'000
	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	
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								<u>47,424</u>
Total assets								<u>3,557,171</u>
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								<u>2,861,225</u>
Total liabilities								<u>3,479,687</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.

6 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).

Notes to the Condensed Consolidated Interim Financial Information

7 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
Charging:		
Depreciation (note 12)	9,765	15,574
Amortisation of other intangible assets (note 14)	51,013	46,396
Provision for impairment of an available-for-sale financial asset	–	12,243
Exchange loss, net	–	648
	<hr/>	<hr/>
Crediting:		
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	–
	<hr/>	<hr/>

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.

Notes to the Condensed Consolidated Interim Financial Information

8 Finance costs, net

	Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 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>

9 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 HK\$'000	2017 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>

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

10 Dividends

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

Notes to the Condensed Consolidated Interim Financial Information

11 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).

12 Fixed assets

	<i>HK\$'000</i>
Net book value	
At 1 January 2017	65,508
Additions	2,802
Disposals	(44)
Disposals of subsidiaries	(389)
Depreciation charge	(15,574)
Impairment charge (note 6)	(10,006)
Exchange adjustment	2,176
	<hr/>
At 30 June 2017 (unaudited)	44,473
	<hr/>
Net book value	
At 1 January 2018	46,547
Additions (note a)	11,466
Disposals	(16)
Transfer to investment properties (note b)	(3,478)
Depreciation charge	(9,765)
Exchange adjustment	56
	<hr/>
At 30 June 2018 (unaudited)	44,810
	<hr/>

Notes:

- (a) During the period ended 30 June 2018, major fixed assets acquired by the Group were computer equipment amounting to HK\$7,343,000.
- (b) During the period ended 30 June 2018, certain properties of HK\$22,978,000 have been fair valued by an independent external valuer and transferred to investment properties at the date of change in use of the properties. The fair values of the properties were arrived at by reference to the capitalised rental derived from the existing tenancy and the reversionary potential of the properties.

Notes to the Condensed Consolidated Interim Financial Information

13 Goodwill

	<i>HK\$'000</i>
Net book value	
At 1 January 2017	621,064
Exchange adjustment	1,571
	<u>622,635</u>
At 30 June 2017 (unaudited)	<u>622,635</u>
Net book value	
At 1 January 2018	580,556
Exchange adjustment	712
	<u>581,268</u>
At 30 June 2018 (unaudited)	<u>581,268</u>

14 Other intangible assets

	<i>Concession rights HK\$'000</i>	<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 2017	3,596	71,810	423	75,829
Additions	–	47,387	–	47,387
Disposals of subsidiaries	(3,084)	–	–	(3,084)
Amortisation charge	(240)	(46,116)	(40)	(46,396)
Exchange adjustment	35	3,774	24	3,833
	<u>307</u>	<u>76,855</u>	<u>407</u>	<u>77,569</u>
At 30 June 2017 (unaudited)	<u>307</u>	<u>76,855</u>	<u>407</u>	<u>77,569</u>
Net book value				
At 1 January 2018	–	129,277	374	129,651
Additions	–	46,449	–	46,449
Amortisation charge	–	(50,972)	(41)	(51,013)
Exchange adjustment	–	(341)	(2)	(343)
	<u>–</u>	<u>124,413</u>	<u>331</u>	<u>124,744</u>
At 30 June 2018 (unaudited)	<u>–</u>	<u>124,413</u>	<u>331</u>	<u>124,744</u>

Notes to the Condensed Consolidated Interim Financial Information

15 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 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Associated companies	<u>(38,404)</u>	<u>(58,466)</u>

Interests in associated companies

Movement in interests in associated companies during the period:

	Unaudited Six months ended 30 June 2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 January	1,333,592	1,242,609
Share of profits less losses	(38,404)	(58,466)
Dividend paid	(3,259)	(2,545)
Advance to an associated company	–	93
Exchange adjustment	<u>1,877</u>	<u>404</u>
At 30 June (unaudited)	<u>1,293,806</u>	<u>1,182,095</u>

Notes to the Condensed Consolidated Interim Financial Information

15 Investments accounted for using the equity method (Continued)

Interests in associated companies (Continued)

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.

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.

Notes to the Condensed Consolidated Interim Financial Information

16 Trade and other receivables

	Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
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 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
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	<u>(61,816)</u>	<u>(63,177)</u>
	<u>254,840</u>	<u>246,964</u>
Represented by:		
Receivables from third parties	<u>254,840</u>	<u>246,964</u>

Notes to the Condensed Consolidated Interim Financial Information

17 Restricted cash

At 30 June 2018, NT\$17,619,000 (approximately HK\$4,565,000) 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 (31 December 2017: NT\$23,972,000 (approximately HK\$6,264,000) 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, and quality assurance for government projects in Taiwan), and RMB702,000 (approximately HK\$849,000) (31 December 2017: RMB702,000 (approximately HK\$835,000)) was pledged in favour of the courts for legal proceedings in Mainland China.

18 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>
Represented by: Payables to third parties	<u>130,863</u>	<u>142,251</u>

Notes to the Condensed Consolidated Interim Financial Information

19 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 2017	28,517	2,641,306	–	2,669,823
Borrowings	47,944	56,000	–	103,944
Repayments	(17,287)	(32,785)	–	(50,072)
Exchange adjustment	1,650	9,376	–	11,026
As at 30 June 2017 (unaudited)	60,824	2,673,897	–	2,734,721
As at 1 January 2018	39,195	2,843,780	(21,750)	2,861,225
Recognition of transaction costs	–	–	(1,019)	(1,019)
Amortisation on transaction costs	–	–	3,849	3,849
Borrowings	–	51,165	–	51,165
Repayments	–	(45,980)	–	(45,980)
Exchange adjustment	(330)	(937)	–	(1,267)
As at 30 June 2018 (unaudited)	38,865	2,848,028	(18,920)	2,867,973

20 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 2017 and 1 January and 30 June 2018	5,000,000,000	500,000
Company – Issued and fully paid		
At 1 January and 30 June 2017 and 1 January and 30 June 2018	3,893,270,558	389,328

Notes to the Condensed Consolidated Interim Financial Information

21 Pledge of assets

Save as disclosed in note 17 to the condensed consolidated interim financial information, the Group had no pledge of assets as at 30 June 2018 (31 December 2017: Nil).

22 Contingent liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

23 Capital commitments

The Group's maximum capital commitments as at 30 June 2018 are as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
Capital injection for an investment – Contracted but not provided for	214	121

24 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 2018 HK\$'000	2017 HK\$'000
Sales to		
– A subsidiary and an associated company of CKHH	274	35
– Associated companies	5,531	5,708
– A subsidiary of non-controlling interests of a subsidiary	86	–

Notes to the Condensed Consolidated Interim Financial Information

24 Related party transactions (Continued)

(b) Purchase of goods and services

	Unaudited Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Purchase of services payable to		
– Non-controlling interests of a subsidiary and their subsidiaries	2,952	2,280
– Associated companies	540	–
Rental payable to		
– Non-controlling interests of subsidiaries and their subsidiaries	602	581
Service fees payable to		
– CKHH and its subsidiaries	1,625	1,880

A substantial shareholder of the Company granted guarantee (2017: guarantees) to the Company at a guarantee fee equivalent to 0.5% per annum (2017: Same) for aggregate principal amount outstanding under loan facility (2017: loan facilities) of HK\$3,200 million (2017: Same). During the period, guarantee fee amounted to approximately HK\$6,687,000 was paid by the Company (2017: HK\$6,211,000) to the substantial shareholder.

(c) Key management compensation

During the period ended 30 June 2018, 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) (2017: Nil).

25 Approval of interim financial information

The condensed consolidated interim financial information was approved by the Board of Directors on 1 August 2018.

Disclosure of Interests

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

As at 30 June 2018, 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%
Mak Soek Fun, Angela	Beneficial owner	44,000	-	-	-	44,000	Below 0.01%

Save as disclosed above, as at 30 June 2018, 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 2018, 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)	36.73%
CKH	Interest of controlled corporations	1,430,120,545 (L) (Notes 1, 2 & 3)	36.73%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) (Note 1)	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) (Note 1)	12.23%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) (Note 1)	12.23%
Romefield Limited	Beneficial owner	476,341,182 (L) (Note 1)	12.23%
CK Hutchison Global Investments Limited	Interest of controlled corporations	952,683,363 (L) (Note 2)	24.47%
HWL	Interest of controlled corporations	952,683,363 (L) (Note 2)	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) (Note 2)	24.47%
Easterhouse Limited	Beneficial owner	952,683,363 (L) (Note 2)	24.47%

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)	25.77%
Composers International Limited	Interest of controlled corporations	1,003,432,363 (L) (Notes 4, 5 & 6)	25.77%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	995,078,363 (L) (Notes 4 & 6)	25.55%
Schumann International Limited	Beneficial owner	580,000,000 (L) (Notes 4 & 6)	14.90%
Handel International Limited	Beneficial owner	348,000,000 (L) (Notes 4 & 6)	8.94%
Lin Tian Maw	Beneficial owner, interest of child under 18 and/or spouse & interest of controlled corporations	526,518,000 (L)	13.52%

(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

- (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 2018, 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.

Corporate Governance

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. Cheong Ying Chew, Henry and the other members include Mr. James Sha, Mrs. Lee Pui Ling, Angelina and Mr. Ip Yuk-keung, Albert. 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 2018 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 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.

Other Information

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2018, 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.

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 report, 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.

Change in Other Information of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2017 Annual Report of the Company are set out below:

Name of Director	Details of the Changes
Lee Pui Ling, Angelina	Ceased to be a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission during the year
Ip Yuk-keung, Albert	Resigned as an independent non-executive director of Hopewell Highway Infrastructure Limited on 2 May 2018 Appointed as an independent non-executive director of New World Development Company Limited on 1 June 2018