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TOM Group Limited

TOM集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

**DISCLOSEABLE TRANSACTION
RELATING TO THE EXERCISE OF THE OPTION
FOR THE REPAYMENT OF THE LOAN UNDER THE FACILITY LETTER
BY WAY OF THE PIK EXECUTION**

BACKGROUND

Reference is made to the Facility Announcement concerning the Facility Letter, which was entered into between TOM E-Commerce (a subsidiary of the Company) and Ule Holdings (an associated company of the Company), pursuant to which TOM E-Commerce agreed to grant to Ule Holdings the Facility for a maximum principal amount of up to US\$17,658,100 (equivalent to HK\$137,733,180) for a period of up to 24 months from the first Utilisation Date. The Facility is secured by the Share Charge.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Facility Announcement.

EXERCISE OF OPTION IN RELATION TO THE PIK EXECUTION

As disclosed in the Facility Announcement, TOM E-Commerce has been granted the Option (but not the obligation) under the Facility Letter, which allows TOM E-Commerce to demand Ule Holdings to prepay the Loan together with accrued interest thereon and any other amounts outstanding under the Facility by way of a transfer of the Charged Shares under the Share Charge to TOM E-Commerce (i.e. the PIK Execution). Upon the exercise of the Option, TOM E-Commerce is also required to pay an Execution Fee, which is equivalent to the amount of all interest accrued on the amount of the Loan up to the date of the PIK Execution.

On 22 October 2019, TOM E-Commerce served the Notice on Ule Holdings whereby it exercised the Option in relation to the PIK Execution. The aggregate Consideration and the Execution Fee in relation to the PIK Execution are approximately US\$17.7 million (equivalent to approximately HK\$137.7 million) and approximately US\$0.4 million (equivalent to approximately HK\$2.9 million), respectively.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the PIK Execution (as aggregated with the payment of the Execution Fee) are more than 5% but less than 25%, the PIK Execution (as aggregated with the payment of the Execution Fee) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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Under the Facility Letter, TOM E-Commerce has been granted the Option (but not the obligation), which allows TOM E-Commerce to demand Ule Holdings to prepay the Loan together with accrued interest thereon and any other amounts outstanding under the Facility (if any) by way of the PIK Execution. Upon the exercise of the Option, TOM E-Commerce is also required to pay an Execution Fee, which is equivalent to the amount of all interest accrued on the amount of the Loan up to the date of the PIK Execution.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Facility Announcement.

EXERCISE OF THE OPTION IN RELATION TO THE PIK EXECUTION

On 22 October 2019 (after trading hours), TOM E-Commerce served the Notice on Ule Holdings, whereby it exercised the Option in relation to the PIK Execution.

Set out below are the principal terms of the PIK Execution:

Date of exercise of the Option

22 October 2019

Parties

- (i) Purchaser: TOM E-Commerce, a subsidiary of the Company, which is (a) the lender under the Facility and (b) the chargee under the Share Charge
- (ii) Vendor: Ule Holdings, an associated company of the Company, which is (a) the borrower under the Facility and (b) the chargor under the Share Charge

Save for the Group's approximate 42% interest in Ule Holdings, as at the date of this agreement and to the best knowledge, information and belief of the Directors having made all reasonable enquiries, Ule Holdings and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Subject matter

The Charged Shares.

Consideration

The aggregate Consideration of the PIK Execution (exclusive of the Execution Fee) is approximately US\$17.7 million (equivalent to approximately HK\$137.7 million), which is calculated on the basis of US\$17.4312 (equivalent to approximately HK\$136.0) per each Charged Share as agreed in the Facility Letter. The basis of the consideration for each Charged Share in connection with the PIK Execution was negotiated and agreed between TOM E-Commerce and Ule Holdings as part of the terms and conditions of the Facility at the time the Facility was entered into and is not representative of and does not reflect the valuation of the Charged Company or its shares as at the date of this announcement.

Apart from the payment of the Consideration, TOM E-Commerce is also responsible for the payment of an Execution Fee (in the amount of approximately US\$0.4 million (equivalent to approximately HK\$2.9 million)) to Ule Holdings for the exercise of the Option, which is equivalent to the amount of all interest income accrued on the amount of the Loan up to the date of the PIK Execution.

The Consideration and the Execution Fee shall be settled by setting off:

- (i) the Loan, which was granted to Ule Holdings by TOM E-Commerce under the Facility Letter; and
- (ii) the amount of all interest accrued on the amount of the Loan up to the date of the PIK Execution.

The Consideration for the PIK Execution and the amount of the Execution Fee payable were determined in accordance with the Facility Letter which was arrived at by the parties after arm's length negotiations and was on normal commercial terms, with reference to the commercial practice, the terms available in the market and the amount of the Facility.

Completion

It is expected that the completion of the PIK Execution shall take place at or around the end of November 2019.

Upon completion of the PIK Execution, the Charged Shares will be recognised as a financial asset at fair value through other comprehensive income in the financial statements of the Group.

INFORMATION ON THE CHARGED COMPANY

The Charged Company is an investment holding company incorporated in the British Virgin Islands, which provides technology enabled consumer lending solutions for individuals and enterprise customers in Mainland China, Hong Kong and Southeast Asia.

FINANCIAL INFORMATION OF THE CHARGED COMPANY

Set out below is the financial information of the Charged Company for the two years ended 31 December 2017 and 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”):

	For the years ended 31 December	
	2018	2017
	<u>US\$'000</u>	<u>US\$'000</u>
Profit before taxation	39,428	13,969
Profit after taxation	39,132	17,690
Net asset value	201,180	168,476

Based on a valuation conducted by the Group over the Charged Shares, the fair value of the Charged Shares as at 30 June 2019 is approximately HK\$206.5 million. The aforesaid valuation is not representative of the valuation of the Charged Company as at the date of this announcement.

Notwithstanding the Company adopts Hong Kong Financial Reporting Standards (“HKFRS”) for the preparation of its consolidated financial statements, IFRS and HKFRS are virtually identical and there are no differences between IFRS and HKFRS that would have a material effect on the financial information of the Charged Company as set out above.

INFORMATION ON THE GROUP AND ULE HOLDINGS

The Group is principally engaged in technology and media businesses. It also has technology operations in e-commerce, social network, mobile internet; and investments in fintech and advanced data analytics sectors. In addition, its media businesses cover both publishing and advertising segments.

Ule Holdings is an associated company of the Company in which the Group holds approximately 42% equity interest as at the date of this announcement. The Board considers Ule Holdings to be a strategic investment of the Company and a material asset of the Company's e-commerce group (which is one of the five business segments of the Company).

REASONS FOR, AND THE BENEFITS OF, THE EXERCISE OF THE OPTION AND THE PIK EXECUTION

Having taken into account the value of the Charged Shares, the Directors consider it financially and strategically beneficial to exercise the Option in relation to the PIK Execution, instead of receiving cash repayment of the Loan and interest by Ule Holdings. The Directors consider that the Consideration and the Execution Fee payable in connection with the exercise of the Option are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the aggregate amount of the PIK Execution (as aggregated with the payment of the Execution Fee) are more than 5% but less than 25%, the PIK Execution (as aggregated with the payment of the Execution Fee) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Charged Company”	Welab Holdings Limited, a private company incorporated in the British Virgin Islands with limited liability
“Charged Share(s)”	1,013,017 shares in the Charged Company which have been charged in favour of TOM E-Commerce by Ule Holdings pursuant to the Share Charge
“Company”	TOM Group Limited, a 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)
“Consideration”	the consideration for the PIK Execution (exclusive of the Execution Fee), which is approximately US\$17.7 million (equivalent to approximately HK\$137.7 million)
“Execution Fee”	the fee of US\$0.4 million (equivalent to approximately HK\$2.9 million), which is equivalent to the amount of all interest accrued on the amount of the Loan up to the date of the PIK Execution payable by TOM E-Commerce to Ule Holdings in respect of the PIK Execution
“Facility Announcement”	the announcement of the Company dated 10 May 2019 which discloses details about the Facility between TOM E-Commerce and Ule Holdings
“Notice”	the one month's written notice from TOM E-Commerce to Ule Holdings in respect of the exercise of the Option in relation to the PIK Execution
“Option”	the right (but not the obligation) granted by Ule Holdings to TOM E-Commerce to demand Ule Holdings to prepay the Loan together with the accrued interest thereon and any other amounts outstanding under the Facility by way of PIK Execution

“PIK Execution” payment-in-kind execution, that is the repayment of the Loan by way of a transfer from Ule Holdings to TOM E-Commerce of the Charged Shares

“%” per cent.

For illustrative purpose, the conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 = HK\$7.80.

By Order of the Board of
TOM Group Limited
Yeung Kwok Mung
Executive Director

Hong Kong, 22 October 2019

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

As at the date hereof, the Directors are:

Executive Director:

Mr. Yeung Kwok Mung

Non-executive Directors:

Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Angelina Lee

Independent non-executive Directors:

Mr. Henry Cheong
Mr. James Sha
Mr. Albert Ip

Alternate Director:

Mr. Dominic Lai
(Alternate to Mr. Frank Sixt)