TOM Group Limited
An associate of Hutchison Whampoa Limited
TOM集團有限公司
和記黃埔有限公司聯營機構

Press Release 新聞稿

TOM's Internet segment profit increases fivefold

Robust technology platform and customer-driven innovation to unlock user benefits

Hong Kong, 25 March 2009 - TOM Group Limited (HKEx: 2383, "TOM Group" or "the Group"), the Chinese-language media conglomerate in Greater China, today announced its annual results for the period ending 31 December 2008.

Ken Yeung, Chief Executive Officer and Executive Director said, "The financial tsunami is sweeping across the world economy and the operating environment has been exceptionally challenging. Nevertheless, as at end of the year, net cash inflow from operating activities reported significant growth of 78% over 2007 to HK$173 million. During 2008, the Group has conducted a thorough review of the assets across our business units to optimise internal cost structures. Moreover, we have invested resources in enhancing our technological capabilities to develop direct mobile access services with the introduction of a device and operator agnostic platform. Following the launch of various innovative and unique products and services, segment profit of the Internet Group increased fivefold to HK$63 million.

"In view of the positive effect brought by the measures taken and to reflect the overall decline in industry valuations in the current economic climate, a one-off non-cash provision of HK$1,250 million was made. The provision related mainly to the Group's carrying-value of certain earlier generation wireless assets that contributed value in the past but the operating model is outdated and not scalable as the Group moved from a content-based to a technology-based operating platform.

"In the Publishing Group, our experienced management team has driven improvements in efficiency, resulting in a 23% growth in segment profit in 2008. The TV and Entertainment Group has built close ties with local and overseas media partners to secure popular and premium content in order to increase viewership and add value for both users and advertisers leveraging our wireless and internet platform to expand footprint. The Outdoor Media Group is collaborating with other business divisions to focus on developing effective and technological media assets and tailoring innovative advertising solutions for our customers," he continued.

Commenting on the Group's businesses in the coming year, Yeung said, "The Group has invested in new technologies while streamlining operational metrics in 2008. Despite advertisers generally take a more cautious view on corporate advertising spending, our innovative advertising platform is able to target different needs of our advertisers and maximise their return on advertising. In 2009, we will continue to strive for new and innovative offerings to defend our market share with a commitment to a healthy growth and creating long-term value for investors."

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Appendix

Financial Review

- Group revenues were HK$2,728 million
- Net cash inflow from operating activities improved by 78% to HK$173 million
- Operating loss# before one-off/non-cash items* was HK$118 million
- Operating loss# after one-off/non-cash items was HK$1,368 million
- Loss attributable to shareholders was HK$1,394 million
- Loss per share was HK35.82 cents

HK$'000	For the year ended 31 December 2008	(restated) 2007
Revenues	2,728,033	2,682,615
Net cash inflow from operating activities	172,813	97,279
Operating loss# before one-off/non-cash items*	(118,183)	(67,954)
Operating loss# after one-off/non-cash items	(1,367,755)	(231,651)
Loss attributable to shareholders	(1,394,429)	(331,105)
Loss per share from continuing operations (HK cents)	(35.82)	(8.27)

 # including share of results of associated companies and jointly controlled entities

** before provision for impairment of goodwill and other assets of HK$1,250 million (2007: HK$164 million)*

Business Highlights

Internet

Optimised, integrated portal and wireless platform raises segment profit fivefold

Over the year, significant changes and new initiatives have been undertaken by the Internet Group. Despite various market challenges, the Group continued to optimise the operation of its internet and wireless business while forming alliances with strategic partners to provide premium content and sophisticated applications to users. The Internet Group reported revenues of HK$1,067 million with segment profit leapt by 550% to HK$63 million.

Traffic surges threefold following launch of innovative applications and premium content onto our open platform

In early 2008, TOM re-launched its portal site and worked towards a tool and user-centric widgetised open platform. Riding on the open platform, we have been introducing the latest technology and attractive applications to users to enhance interactivity and user engagement. The efforts brought good results with an increase in user stickiness while web traffic surged threefold.

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Strengthening sports and entertainment content through strategic partnerships

In the second quarter of 2008, TOM partnered with Stardoll to introduce a premier fashion and entertainment online community to the Chinese market on TOM's open platform.

In the following quarter, TOM formed a strategic partnership with the NBA to obtain exclusive operating rights to the official NBA websites in Mainland China, Taiwan and Hong Kong. After the launch of the official NBA site in Mainland China in October 2008, and with the introduction of daily live games broadcast and interactive and innovative user features, the number of unique visitors has doubled. Adding value for both users and advertisers, the NBA's websites in Greater China will become the core of TOM's sports channel into which we will incorporate more premium sports content in conjunction with our partners.

Develop e-commerce opportunities with China Post Group

In February 2009, the Group entered into a cooperative agreement with the China Post Group to jointly develop e-commerce opportunities in Mainland China. The China Post Group possesses a nation-wide distribution network that is well-supported by sophisticated and reliable logistics infrastructure and an extensive network of postal savings banks. Leveraging TOM's media platform from TV to publishing, our e-commerce experience in the Eachnet operation, our technological strength and substantial user base, we will provide users with a superior and all-round shopping service from online, mobile to offline.

Overseas buying of TOM Eachnet boosts transaction volume

With a strong focus on cost control and platform optimisation for key operations metrics, the share of losses by TOM Eachnet was reduced by 27%. During the year, Eachnet introduced several new and innovative services including optimised search, overseas buying, a seller incubation programme and loyalty points. Six months after the launch of the overseas buying programme "US Direct" in June 2008, monthly transaction volume surged three- to fivefold. Average spending per person for the programme was between RMB2,000 and RMB3,000, which is 20 times more than on average domestic e-commerce platforms. Maximum spending per transaction was as high as RMB70,000, reflecting Eachnet's reputation for trustworthiness and reliability amongst consumers. Going forward, Eachnet will continue to introduce innovative services and expand its distribution channels to boost traffic and transactions.

Innovative mobile initiatives to drive seamless mobile-to-internet services

The issuance of 3G licences and the restructuring of the telecommunications industry in Mainland China is expected to bring about new growth opportunities in the market. With a huge user base, TOM is well-equipped with a wide range of quality products, operational expertise and infrastructure to collaborate with content and technology partners and work closely with telecommunication operators to launch new services. Going forward, TOM will introduce further premium and differentiated sports and entertainment content and applications to drive the development of seamless mobile-to-internet services.

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Publishing

A continuous drive for operational excellence

The Publishing Group reported revenues of HK$1,012 million for 2008, a growth of 7% over the same period last year. Segment operating profit increased by 5% to HK$96 million.

Despite the competitive publishing market and a rise in paper cost of over 17%, the Publishing Group in Taiwan, with a very experienced local management team and a continual drive in operational excellence, was able to report steady growth and strengthen its position as a market leader.

Strategic selection of bestselling books drives net sales volume up 14%

The strategy of focusing on quality and popular books has seen good results in the book publishing business. Despite a decrease in the print volume of new titles, the net sales volume of books has increased by 14%. The health book "Dr. Tom Wu's Principles of Natural Cures", first published in March 2008, reached a total sales volume of over 590,000 copies by the end of 2008. Recently, the novel "Twilight" and its sequel "New Moon" also reported a total print volume of over 230,000 copies as of January 2009. Similar encouraging sales performances are expected when the third and fourth instalments of the "Twilight" series are released in 2009.

The magazine business continued to report satisfactory performance in 2008, with the number of subscribers in Taiwan increasing by about 4% over the previous year. Advertising revenues of the magazines maintained steady growth at about 5% in 2008 as compared with 2007. *Business Weekly*, the flagship magazine published by the group in Taiwan won SOPA Awards for "Excellence in Feature Writing", "Excellence in Reporting Breaking News", and "Excellence in Magazine Design" in 2008. The magazine also received the "News In-depth Reporting Award" from the Vivian Wu Journalism Award, "Excellent News Coverage" in the print media category of the Excellent Journalism Award and "Award for Editorial Excellence" in the magazine category of the 32nd Golden Tripod Awards.

Pixnet is No. 2 social networking site in Taiwan, registered members increase by 50%

The Publishing Group continued to expand its digital distribution channel during the year. Pixnet (www.pixnet.net), a leading social networking website in Taiwan as well as the group's key online promotion and publishing platform, completed its system upgrade in mid-2008. This has resulted in further improvement of platform performance and remarkably enhanced user stickiness. Pixnet now ranks second among popular social networking websites in Taiwan and its ranking has gone up from 59th in 2007 to 12th in terms of traffic amongst all websites in Taiwan by the end of 2008. The number of registered members has grown nearly 50% as compared with the level at the beginning of the year.

Given the volatile economy, the publishing business will continue to face various challenges in 2009. However, leveraging our extensive distribution network and influential market position, the local management team will be able to lead the division through these time of adversity and will continue to deliver superior performance and sustain profitability for TOM.

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Outdoor Media

Average revenue-per-unit area up by 20% on thorough review of media assets

Revenues of the Outdoor Media Group ("OMG") were HK$465million in 2008. Segment loss amounted to HK$75 million which includes a one-off termination cost incurred for terminating certain assets. The loss was mainly attributable to various external factors.

Early in the year, successive natural disasters in Mainland China significantly affected business operations in certain regions. In addition, government authorities in many second and third tier cities have commenced various city planning and restructuring exercises. Some of OMG's media assets in Kunming, Liaoning and Chongqing were demolished. Most of the new media assets are now subject to formal auction bidding processes and this has driven up the overall costs of media assets significantly. In late 2008, the sluggish economic condition also caused advertisers to become conservative with respect to marketing initiatives.

To restore healthy growth momentum, the management team has made a thorough review of the existing media assets portfolio. Assets that were located in unfavourable areas or carried a cost that exceeded current market levels were discontinued. The group believed that the exercise can promote a healthier growth for OMG in the future. This strategy has already started to show positive contributions to the operational efficiency of OMG. The average revenue-per-unit area of self-owned/leased media assets improved by 20% in 2008 as compared with 2007.

Develop quality and new media assets with TOM's various divisions

On the other hand, OMG has continued to optimise its media assets portfolio by acquiring premium and higher margin categories in leading second tier cities. During the second half of the year, OMG acquired over 140 media asset units including billboards, unipoles and light boxes in Fuzhou Airport with a total media asset space of over 3,500 square metres. This project is expected to bring in new revenues to OMG in 2009. Working closely with TOM's other business divisions, OMG will focus on developing high-margin and premium media assets, working with city planning developments, in respective areas.

A Key Client Service Centre has been set up to develop business opportunities and offer tailor-made and integrated advertising solutions for key national and global clients.

TV & Entertainment

Focus on operating discipline to improve performance

Gross revenues of the Television and Entertainment Group were HK$187 million. Segment loss was HK$58 million.

CETV's operations were adversely impacted by limitations on its signal landing rights in Shenzhen. In addition, natural disasters in China and the deteriorating economic climate have caused a general reduction of corporate advertising spending in the second-half, which severely affected the group's performance in 2008. The management has undertaken a series of measures in operating discipline to improve performance.

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Expanded coverage through TOM's online and wireless network

During the year, CETV has been working closely with relevant authorities to resume coverage in certain areas. To further expand its footprint, CETV is also working with TOM's Internet Group to launch live online and wireless broadcasting on the www.tom.com platform. This will not only help extend the reach of CETV tremendously through a seamless online and wireless network, but will also provide a comprehensive and interactive viewing experience for our audience and offer our customers innovative and integrated advertising solutions.

Secure unique, premium content that adds value for advertisers

In order to further strengthen its content offerings and drive advertising income, CETV continues to focus on securing all kinds of premium content, such as "Ms No good", the first-run hot Taiwan drama which was shown in December 2008, and various interactive programmes and premium talk shows.

Partnering with media giants to introduce an integrated media platform

CETV will also partner with local and overseas media players to introduce a variety of entertainment and infotainment programmes, and to create an integrated media platform. It has teamed up with Gala Television Corporation in Taiwan and NationTainment Corporation, publisher of various magazines in the Mainland, to produce an infotainment programme at CETV, delivering first-hand entertainment news from Taiwan, including exclusive interviews of artists and cover stories via a TV magazine format. The production is an integration of various media resources from TV to print media and across Mainland China, Taiwan and Hong Kong aimed at providing audiences with premium and comprehensive entertainment content through TV, via mobile or online.

YC, the preferred choice for multinationals

YC, the marketing arm of the Group, continues to play a significant role in cross-selling relevant products and services of all of TOM's business groups. Riding on the success of the innovative and first-of-its-kind "Nokia Experience Van" project, YC has successfully expanded the event model to other global customers such as Pepsi, during the year under review, and has become the preferred marketing partner of many multinationals in Mainland China.

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TOM Group Limited

TOM Group Limited (HKEx stock code: 2383) is listed on The Main Board of the Stock Exchange of Hong Kong. A leading Chinese-language media conglomerate in Greater China, TOM Group has diverse business interests in Internet (TOM Online), Outdoor Media (TOM Outdoor Media Group), Publishing, Television and Entertainment across markets in Mainland China, Taiwan and Hong Kong. In each of the areas in which it operates, TOM Group has secured market leadership.

The Group was founded in October 1999 as a joint venture between Hutchison Whampoa, Cheung Kong (Holdings) Limited, and other strategic investors. Headquartered in Hong Kong, the Group has regional headquarters in Beijing, Shanghai and Taipei with over 3,300 employees in about 20 cities.

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