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TOM Group Limited

TOM集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2383)

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

**CHAIRMAN'S STATEMENT**

I am pleased to announce the results of TOM Group Limited ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the six months ended 30 June 2009.

For the six months ended 30 June 2009, TOM reported revenues of HK\$1,193 million and operating profit of HK\$49 million; profit attributable to shareholders was HK\$12 million and earnings per share was HK cents 0.30, versus a loss of HK\$547 million and loss per share of HK cents 14.06 for the six months ended 30 June 2008.

The TOM Internet Group posted stable performance with 4% increase in revenues and 16% increase in segment profit. During the period, the Internet Group launched its official NBA site in Hong Kong and revamped Shawei with enhanced web 2.0 functionalities.

The Group's e-commerce business also showed continued improvement during the first half of the year with a 44% year-on-year reduction in losses. In addition, in February 2009, TOM entered into a strategic partnership with China Post Group, to develop e-commerce business in Mainland China, adding enhanced growth prospects for this business unit.

The Publishing Group recorded better than expected performance despite a challenging advertising environment in Taiwan, posting net profit of HK\$32 million for the first 6 months of 2009.

The Outdoor Media Group ("OMG") recorded a HK\$91 million extraordinary gain, as a result of the repurchase of shares from SPH during the first half of 2009. The repurchase provides TOM with the opportunity to consolidate the Group's control of this business, with a view to improving its operating profitability going forward.

The Television and Entertainment Group reported improved financial performance with a 29% reduction in segment loss, attributable to strengthened programme offerings and increased operational efficiency.

In June and July, with support from its principal shareholders, the Group refinanced its maturing bank facilities by entering into new bank facilities with four banks totaling HK\$1.9 billion for a term of 36 months. The Group does not anticipate any material additional financing requirements during this period.

### **Business Outlook**

The Group's continuing focus on capital and operating efficiencies within, and integration and synergy opportunities between, its media businesses, had shown some encouraging results in the first-half. Barring underlying adverse market developments, the Group can expect additional improvement in the second half. I would like to take this opportunity to thank the management and their staff for their hard work, dedication and commitment.

**Frank Sixt**  
*Chairman*

Hong Kong, 10 August 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

	For the six months ended	
	30 June 2009 HK\$'000	30 June 2008 HK\$'000
Revenues	1,192,708	1,331,967
Operating profit/(loss)#	48,727	(515,795)
Operating loss# excluding one-off/non-cash items*	(42,152)	(43,766)
Net profit/(loss) attributable to shareholders	11,665	(547,241)
Earnings/(loss) per share (HK cents)	0.30	(14.06)

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

\* before gain on acquisition of additional interests in a subsidiary (2008: before provision for impairment of intangible assets)

### Business Review

#### Internet- Stable performance with 16% increase in profit

For the first half of 2009, the Internet Group reported steady growth in both revenues and profit and posted revenues of HK\$524 million and segment profit of HK\$25 million, a year-on-year increase of 4% and 16%, respectively.

Leveraging on its partnerships with various content and technology providers, TOM continued to offer a wide range of quality content targeted at the young, trendy and technology-savvy users, creating an innovative and targeted platform for its advertisers.

#### **Expanded premium sports portfolio through NBA alliance**

Following the successful NBA website launch in China in October 2008, TOM rolled out the official NBA site in Hong Kong (NBA.com/hongkong) in April 2009. For the first time ever, basketball fans in Hong Kong could access the most up-to-date NBA news and watch the NBA playoff games online, free of charge. Combining TOM's cutting-edge wireless and internet technologies with NBA's premium content, the Internet Group not only created a seamless and integrated online/mobile/offline experience for the sports fans, but also presented its advertisers with an innovative one-stop solution to reach its target audience. The NBA China and Hong Kong websites had both recorded meaningful growth in unique visitors and page-views throughout the NBA playoffs.

#### **Sharkwave offered enhanced web 2.0 features**

In July 2009, TOM re-launched Sharkwave with the introduction of various enhanced web 2.0 functionalities. Sharkwave has created an ultimate destination for sports fans to meet, interact and share interests in various sporting events.

Integrated with the Official NBA websites that TOM operates in Greater China, the Sharkwave NBA online community not only offers sports fans access to the latest news and game statistics, but also allows them to participate in online fantasy games and exchange views with other sports lovers, online and via mobile. Going forward, Sharkwave will continue to work with quality sports partners, to offer premium sports content (such as football, tennis and extreme sports), as well as new online games and advanced functionalities, to its users.

### ***Enhanced online entertainment offering on alive.tom.com***

TOM has partnered with alivenotdead.com, popular social network for artists, musicians and movie makers, to enhance its online entertainment offering to its users. TOM users could stay ahead of the latest trends and movements by logging on to alive.tom.com.

### ***Eachnet continued to show improvement***

TOM has continued to show improvement in its e-commerce business. During the first half of 2009, TOM's share of losses in Eachnet narrowed to HK\$25 million, a 44% reduction, driven by continued improvement in operating efficiency and competitiveness. During the period, Eachnet buyer ARPU increased by 22%. In June 2009, Eachnet successfully launched the first "Taiwan Zone", an online marketplace for imported Taiwan goods, in China.

### ***Launch of integrated commerce platform with China Post Group***

In February 2009, TOM teamed up with China Post Group, to develop e-commerce business in Mainland China. By combining TOM's online, wireless and traditional media assets with China Post's logistics infrastructure, the platform, when launched, will offer users a reliable and integrated shopping experience from online to offline to mobile.

## **Publishing- Exceeded expectations despite tough market environment**

The Group had recorded better than expected performance in publishing despite a tough advertising market in Taiwan. Despite the challenges, the Publishing Group posted revenues of HK\$404 million and segment profit of HK\$32 million in the first half of 2009.

### ***Illustrated market leadership and wide acclaims***

TOM's Publishing Group maintained its market leadership and continued to receive wide acclaims despite the worsening economic and business environment during the period.

In particular, Cite's publications "A Tale of Mari and Three Puppies" and "Nuan Nuan" were named among the "Top Ten Most Popular Books" for primary and secondary students, by the Hong Kong Professional Teachers' Union and the Leisure & Cultural Services Department.

In addition, "Little Beauty" was elected "Most Favourite Book for the Year" at the 2008 Hong Kong Book Award, co-organized by Radio Television Hong Kong, Leisure and Cultural Services Department, Hong Kong Public Libraries and Hong Kong Publishing Federation.

Furthermore, Business Weekly, the Publishing Group's flagship magazine published in Taiwan, won the 2009 SOPA Awards for "Excellence in Special Issue of Special Section". The magazine was also awarded second place in "Feature Writing" and "Photography" at the Hakka News Award this year.

### ***Bestselling novels recorded print volume of over 400,000 copies***

During the first half of 2009, Cite continued to follow stringent selection process and exercise strict quality-control, focusing its resources only on quality titles. The novel "Twilight" and its two sequels reported a total print volume of over 400,000 copies as of June 2009.

### ***Enhanced online publishing platform***

In response to the growing consumption of content online, the Publishing Group has accelerated its investments in the development of its digital publishing platform, providing services such as e-books, e-periodicals and mobile publishing.

In addition to e-Business Weekly Online in Taiwan, Cite had also launched the Grimm Press's e-book platform for children in Mainland China. With strong business acumen and in-depth market knowledge, Cite is well positioned to create a new digital publishing platform, providing its users with more dynamic reading experience.

### **Outdoor Media- Extraordinary gain from share repurchase**

To further improve operating efficiency and flexibility of the outdoor business, TOM repurchased the remaining 35% stake in Outdoor Media Group (“OMG”) from SPH during the first half of 2009, providing TOM with the opportunity to consolidate the Group’s control of this business. The share buyback not only generated a one-off gain of HK\$91 million for the Group, but also allowed TOM to realize synergies between OMG and the Group’s other businesses, and improve its operating profitability going forward.

For the first half of 2009, OMG reported revenues of HK\$192 million and segment profit, including the one-off gain of HK\$91 million from the 35% share buy-back, of HK\$76 million.

### ***Developing technology-driven media assets***

In response to market’s growing demand for digital outdoor media assets in Mainland China, OMG, working closely with the local authorities, has focused its new developments on high margin digital outdoor display products, leveraging on TOM’s technical capabilities. The Group believes that these products, with physical appeal and superior functionalities, would be well received.

Meanwhile, OMG will continue to provide innovative and integrated advertising solutions to multinational advertising client within the Group’s network.

### **TV & Entertainment- Improved financial performance and narrowed losses**

For the first half of 2009, the Television and Entertainment Group had shown meaningful financial improvement, reporting gross revenues of HK\$74 million and segment loss of HK\$23 million, a 29% reduction from a year earlier. This was mainly attributable to the concerted effort taken to optimize the business’s operation and to strengthen programme offerings.

### ***Strengthened content offerings***

CETV has continued to strengthen its content offerings through cooperations with various content partners. Most notable was the team-up with Taiwan’s Gala Television Corporation and China’s Nationtainment Corporation to co-produce “Entertainment Power” to deliver first-hand entertainment news to the audience. The programme was very well received.

CETV was also able to expand audience coverage and channel ratings with the introduction of first-run and exclusive premiere of popular dramas, coupled with effective on-ground marketing activities, during prime time.

In particular, the Taiwanese drama “Black and White”, featured on CETV during its 5<sup>th</sup> anniversary, had successfully attracted a huge audience base. CETV’s prime time ratings in Guangzhou and Shenzhen during the time period increased 50% and 26%, respectively.

### ***Expanded coverage to online and wireless platform***

Working closely with TOM’s Internet Group, CETV had successfully expanded its reach with the launch of CETV LIVE, the wireless and live online broadcasting of CETV programs on the www.tom.com platform. Since the launch of CETV Live, the site had recorded double digit growth in viewership month-on-month.

In addition, CETV has been working closely with the relevant authorities and had resumed its TV coverage in Shenzhen during the period.

***Created integrated media platform for advertisers***

With concerted efforts to improve its operating efficiency and to strengthen its program offerings, CETV had shown significant financial improvement during the period.

Through further integration with the Group's existing networks, content resources and advertising inventory, CETV was able to offer a diversified multi-platform experience to its viewers, as well as a differentiated and integrated advertising solution to its advertisers.

***More multinationals entrust YC with marketing campaigns***

Following the success of the innovative and first-of-its-kind "Nokia Experience Van" project, reaching over 2,000 cities nationwide, YC had continued to gain support from various multinationals. During the first half of 2009, Yang Cheng was awarded a number of new marketing campaigns including the "2009 NIKE IGNITE YOUR GAME" for NIKE in April 2009 and the "Fun Fair" for Potenza in June 2009.

**Liquidity and Financial Resources**

As at 30 June 2009, TOM Group had bank and cash balances, including pledged deposits, of approximately HK\$1,343 million and listed debt securities of approximately HK\$78 million which were pledged to secure bank loan facilities of the Group. A total of HK\$3,608 million financing facilities were available, of which HK\$2,089 million had been drawn down as at 30 June 2009, to finance the Group's acquisitions, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,089 million as at 30 June 2009. This included long-term bank loans of approximately HK\$511 million and short-term bank loans of approximately HK\$1,578 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 50% as at 30 June 2009 as compared to 51% as at 31 December 2008.

As at 30 June 2009, the Group had net current liabilities of approximately HK\$548 million, as compared to HK\$436 million as at 31 December 2008. In June and July 2009, the Group has entered into agreements with several banks and secured new banking facilities of totaling HK\$1,900 million for a period of three years. Based on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future.

As at 30 June 2009, the current ratio of TOM Group was 0.81 compared to 0.86 as at 31 December 2008.

For the six months of 2009, the Group generated net cash from its operating activities before interest and taxation of HK\$85 million, as compared to HK\$34 million in the same period of 2008.

**Charges on Group Assets**

As at 30 June 2009, the Group had listed debt securities with a market value of approximately HK\$78 million and properties with net book values of approximately HK\$1 million were pledged to banks for securing bank loans.

**Foreign Exchange Exposure**

In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary to minimise currency risk.

## **Contingent Liabilities**

As at 30 June 2009, the Group had contingent liabilities in respect of a tax appeal by a subsidiary of the Group in Taiwan amounted to NT\$174 million (approximately HK\$40.9 million) (31 December 2008: NT\$155 million, approximately HK\$36.6 million).

## **Employee Information**

As at 30 June 2009, TOM Group had 3,074 full-time employees. During the first six months of the year, employee and stock option costs, including Directors' emoluments, totaled at HK\$267 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2008.

### **Disclaimer:**

#### **Non-GAAP measures**

Certain non-GAAP (generally accepted accounting principles) measures, such as operating profit/(loss) including share of results of associated companies and jointly controlled entities and segment profit/(loss) excluding provision for impairment charges and one-off gain that represents the excess of net assets value over cost of acquisition of additional interests in a subsidiary, 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 because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

		Unaudited	
		Six months ended 30 June	
	Note	2009	2008
		HK\$'000	HK\$'000
Revenue	3	<u>1,192,708</u>	<u>1,331,967</u>
Cost of sales		(874,320)	(882,671)
Selling and marketing expenses	6	(114,469)	(140,823)
Administrative expenses	6	(84,496)	(100,539)
Other operating expenses	6	(132,472)	(181,899)
Other losses	6	(4,216)	(32,001)
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	4	90,879	-
Provision for impairment of intangible assets	5	-	(472,029)
Share of losses of jointly controlled entities		(24,703)	(43,824)
Share of profits less losses of associated companies		(184)	6,024
		<u>48,727</u>	<u>(515,795)</u>
Finance income		15,193	32,195
Finance costs		(28,803)	(72,442)
Finance costs, net	7	<u>(13,610)</u>	<u>(40,247)</u>
Profit/(loss) before taxation		35,117	(556,042)
Taxation	8	(21,813)	(28,883)
Profit/(loss) for the period		<u>13,304</u>	<u>(584,925)</u>
Attributable to:			
- Minority interests		<u>1,639</u>	<u>(37,684)</u>
- Equity holders of the Company		<u>11,665</u>	<u>(547,241)</u>
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company			
<b>Basic and diluted</b>	10	<u>HK0.30 cents</u>	<u>HK(14.06)cents</u>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Profit/(loss) for the period</b>	13,304	(584,925)
<b>Other comprehensive income</b>		
Exchange translation differences	727	216,165
Revaluation (deficit)/surplus on available-for-sale financial assets, net of tax	(97)	6,486
	<u>          </u>	<u>          </u>
<b>Other comprehensive income for the period, net of tax</b>	630	222,651
	<u>          </u>	<u>          </u>
<b>Total comprehensive income/(expenses) for the period</b>	13,934	(362,274)
	<u>          </u>	<u>          </u>
<b>Total comprehensive income/(expenses) attributable to:</b>		
- Minority interests	2,053	6,166
	<u>          </u>	<u>          </u>
- Equity holders of the Company	11,881	(368,440)
	<u>          </u>	<u>          </u>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 30 JUNE 2009**

	Note	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets		171,667	202,152
Goodwill		2,633,784	2,634,940
Other intangible assets		70,516	66,897
Interests in jointly controlled entities		(118,244)	(87,904)
Interests in associated companies		213,419	231,388
Available-for-sale financial assets		26,607	30,147
Advance to an investee company		2,165	2,165
Deferred tax assets		49,754	51,843
Other non-current assets		5,020	6,360
		<u>3,054,688</u>	<u>3,137,988</u>
<b>Current assets</b>			
Available-for-sale financial assets		78,335	392,916
Inventories		115,430	118,399
Trade and other receivables	11	793,131	898,428
Restricted cash		2,164	2,171
Cash and cash equivalents		1,340,364	1,328,813
		<u>2,329,424</u>	<u>2,740,727</u>
<b>Current liabilities</b>			
Trade and other payables	12	1,084,094	1,180,610
Taxation payable		39,515	36,840
Long-term bank loans - current portion		175,325	449,533
Short-term bank and other loans		1,578,320	1,509,381
		<u>2,877,254</u>	<u>3,176,364</u>
<b>Net current liabilities</b>		<u>(547,830)</u>	<u>(435,637)</u>
<b>Total assets less current liabilities</b>		<u>2,506,858</u>	<u>2,702,351</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		16,708	14,919
Non-current portion of long-term bank loans		335,364	395,474
Pension obligations		29,651	29,644
		<u>381,723</u>	<u>440,037</u>
<b>Net assets</b>		<u>2,125,135</u>	<u>2,262,314</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		389,328	389,328
Reserves		1,321,191	1,309,310
Own shares held		(6,244)	(6,244)
		<u>1,704,275</u>	<u>1,692,394</u>
<b>Shareholders' funds</b>		<u>1,704,275</u>	<u>1,692,394</u>
Minority interests		420,860	569,920
<b>Total equity</b>		<u>2,125,135</u>	<u>2,262,314</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Unaudited												
	Attributable to the 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	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total shareholders' funds HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
At 1 January 2008	389,328	(6,244)	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,810,606	687,780	3,498,386
Loss for the period	-	-	-	-	-	-	-	-	-	(547,241)	(547,241)	(37,684)	(584,925)
Other comprehensive income:													
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	5,911	-	-	-	5,911	575	6,486
Exchange translation differences	-	-	-	-	-	-	-	172,890	-	-	172,890	43,275	216,165
Total comprehensive income for the period ended 30 June 2008	-	-	-	-	-	-	5,911	172,890	-	(547,241)	(368,440)	6,166	(362,274)
Employee share option schemes - value of employee services	-	-	-	83	-	-	-	-	-	-	83	-	83
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	-	(54,166)	(54,166)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,775)	(2,775)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(265)	(265)
Other reserves shared by minority interests	-	-	-	-	-	-	-	-	-	-	-	(276)	(276)
Balance at 30 June 2008	389,328	(6,244)	3,625,981	38,437	776	123,455	(9,226)	462,157	30,879	(2,213,294)	2,442,249	636,464	3,078,713

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Unaudited											
	Attributable to the 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	Accumulated losses HK\$'000	Total shareholders' funds HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
Balance at 1 January 2009	389,328	(6,244)	3,625,981	38,437	776	129,248	1,158	550,010	(3,036,300)	1,692,394	569,920	2,262,314
Profit for the period	-	-	-	-	-	-	-	-	11,665	11,665	1,639	13,304
Other comprehensive income:												
Revaluation surplus/(deficit) on available- for-sale financial assets, net of tax	-	-	-	-	-	-	46	-	-	46	(143)	(97)
Exchange translation differences	-	-	-	-	-	-	-	170	-	170	557	727
Total comprehensive income for the period ended 30 June 2009	-	-	-	-	-	-	46	170	11,665	11,881	2,053	13,934
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(866)	(866)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(151,188)	(151,188)
Contribution from minority interests	-	-	-	-	-	-	-	-	-	-	941	941
Balance at 30 June 2009	389,328	(6,244)	3,625,981	38,437	776	129,248	1,204	550,180	(3,024,635)	1,704,275	420,860	2,125,135

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net cash inflow from operations	85,038	34,178
Interest paid	(21,408)	(87,426)
Overseas taxation paid	(17,723)	(32,956)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	45,907	(86,204)
Net cash from investing activities	229,831	647,175
Net cash used in financing activities	(264,187)	(1,206,890)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,551	(645,919)
Cash and cash equivalents at the beginning of the period	1,328,813	1,828,396
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>1,340,364</u>	<u>1,182,477</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

As at 30 June 2009, the Group had net current liabilities of approximately HK\$548 million (31 December 2008: HK\$436 million). In June and July 2009, the Group has entered into agreements with several banks and secured new banking facilities totaling HK\$1,900 million for a period of three years. Based on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future. Consequently, the financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation used in preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008, except the adoption of new standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2009.

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments

<sup>1</sup> Effective for the Group for annual periods beginning 1 January 2009 except the amendments to HKFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" which is effective for the Group for annual periods beginning 1 January 2010

The application of the above standards and amendments had resulted in certain changes on the disclosures on the Group's accounts while the results and financial position were not affected.

## **2 Segment reporting**

The Group has four reportable segments:

- Internet Group - provision of wireless internet services, online advertising, commercial enterprise solutions and internet access.
- Publishing Group - magazine and book circulation, sales of publication advertising and other related products.
- Outdoor Media Group - advertising sales of outdoor media assets and provision of outdoor media services.
- Television and Entertainment Group - advertising sales in relation to satellite television channel operations, provision of broadcasting post production and event production and marketing services.

Sales between segments are carried out at arm's length.

### 3 Revenue and segment information

The segment results for the six months ended 30 June 2009 are as follows:

	Unaudited				
	Six months ended 30 June 2009				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Total gross segment revenue	523,543	404,043	191,809	74,182	1,193,577
Inter-segment revenue	-	-	-	(869)	(869)
Net revenue from external customers	523,543	404,043	191,809	73,313	1,192,708
Segment profit/(loss) before amortisation and depreciation	42,461	63,852	4,877	(12,763)	98,427
Amortisation and depreciation	(17,888)	(31,517)	(19,499)	(10,297)	(79,201)
Segment profit/(loss)	24,573	32,335	(14,622)	(23,060)	19,226
Other material non-cash items:					
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	-	-	90,879	-	90,879
Share of losses of jointly controlled entities	(24,703)	-	-	-	(24,703)
Share of profits less losses of associated companies	(18)	(166)	-	-	(184)
	(24,721)	(166)	90,879	-	65,992
Finance costs:					
Finance income	13,315	12,316	2,221	52	27,904
Finance expenses	(1,972)	(10,520)	(516)	(8,495)	(21,503)
	11,343	1,796	1,705	(8,443)	6,401
Segment profit/(loss) before taxation	11,195	33,965	77,962	(31,503)	91,619
Unallocated corporate expenses					(56,502)
Profit before taxation					35,117
Expenditure for operating segment non-current assets	3,040	32,138	10,548	13,477	59,203
Unallocated expenditure for non-current assets					90
Total expenditure for non-current assets					59,293



### 3 Revenue and segment information (continued)

The segment results for the six months ended 30 June 2008 are as follows:

	Unaudited				
	Six months ended 30 June 2008				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Total gross segment revenue	502,074	524,086	223,984	82,628	1,332,772
Inter-segment revenue	-	-	-	(805)	(805)
Net revenue from external customers	502,074	524,086	223,984	81,823	1,331,967
Segment profit/(loss) before amortisation and depreciation	54,998	66,784	9,928	(19,271)	112,439
Amortisation and depreciation	(33,786)	(9,839)	(18,585)	(13,011)	(75,221)
Segment profit/(loss)	21,212	56,945	(8,657)	(32,282)	37,218
Other material non-cash items:					
Provision for impairment of intangible assets	(472,029)	-	-	-	(472,029)
Share of losses of jointly controlled entities	(43,824)	-	-	-	(43,824)
Share of profits less losses of associated companies	366	5,658	-	-	6,024
	(515,487)	5,658	-	-	(509,829)
Finance costs:					
Finance income	18,784	20,695	2,606	129	42,214
Finance expenses	(13,022)	(18,082)	(536)	(7,472)	(39,112)
	5,762	2,613	2,070	(7,343)	3,102
Segment profit/(loss) before taxation	(488,513)	65,216	(6,587)	(39,625)	(469,509)
Unallocated corporate expenses					(86,533)
Loss before taxation					(556,042)
Expenditure for operating segment non-current assets	6,059	6,074	7,958	10,508	30,599
Unallocated expenditure for non-current assets					1,564
Total expenditure for non-current assets					32,163

### 3 Revenue and segment information (continued)

The segment assets and liabilities at 30 June 2009 are as follows:

	Unaudited				
	As at 30 June 2009				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Operating segment assets	3,113,417	1,095,993	883,472	155,936	5,248,818
Interests in jointly controlled entities	(118,244)	-	-	-	(118,244)
Interests in associated companies	2,588	210,831	-	-	213,419
Total operating segment assets	<u>2,997,761</u>	<u>1,306,824</u>	<u>883,472</u>	<u>155,936</u>	<u>5,343,993</u>
Unallocated assets					40,119
					<u>5,384,112</u>
Operating segment liabilities	474,391	286,908	190,341	44,012	995,652
Unallocated liabilities					<u>2,263,325</u>
					<u>3,258,977</u>

The segment assets and liabilities at 31 December 2008 are as follows:

	Audited				
	As at 31 December 2008				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Operating segment assets	3,386,401	1,162,201	969,931	164,301	5,682,834
Interests in jointly controlled entities	(87,904)	-	-	-	(87,904)
Interests in associated companies	3,148	228,240	-	-	231,388
Total operating segment assets	<u>3,301,645</u>	<u>1,390,441</u>	<u>969,931</u>	<u>164,301</u>	<u>5,826,318</u>
Unallocated assets					<u>52,397</u>
					<u>5,878,715</u>
Operating segment liabilities	485,517	364,067	197,274	45,850	1,092,708
Unallocated liabilities					<u>2,523,693</u>
					<u>3,616,401</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.

#### 4 Excess of net assets value over cost of acquisition of additional interests in a subsidiary

On 27 May 2009, the Group, through a wholly owned subsidiary, TOM Outdoor Media Holdings Limited, acquired an additional 35% equity interests in TOM Outdoor Media Group Limited ("TOM OMG") for a consideration of HK\$60,000,000 from the minority shareholder. The acquisition from the minority shareholder could enable the Group to have full control over the outdoor business and facilitate the synergy of OMG with TOM's other businesses. As a result of the acquisition, the Group's interests in TOM OMG increased from 65% to 100%. The excess of net assets value acquired over consideration paid amounting to HK\$90,879,000 was recognised in the condensed consolidated interim income statement.

#### 5 Provision for impairment of intangible assets

The amount in 2008 represented the provision for impairment of goodwill of HK\$464,479,000 and intangible assets of HK\$7,550,000 resulting from certain business related to first generation mobile products and services. This mainly included a provision for impairment of goodwill on the investment in Beijing Bo Xun Rong Tong Information Technology Company Limited, which was made with reference to the estimated value of the business.

#### 6 Operating profit/(loss)

Operating profit/(loss) is stated after charging/crediting the following:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Charging:		
Depreciation of fixed assets	39,481	53,396
Amortisation of other intangible assets	40,235	22,608
Amortisation of other non-current assets included in interests in associated companies	2,448	2,448
Loss on disposal of fixed assets	2,815	1,632
Loss on disposal of intangible assets	1,001	-
Exchange loss, net	-	32,096
	<u>          </u>	<u>          </u>
Crediting:		
Exchange gain, net	3,020	-
Dividend income from available-for-sale financial assets	360	1,727
	<u>          </u>	<u>          </u>

## 7 Finance costs, net

All finance costs, net are shown as follows:

	Unaudited Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	27,863	66,060
Interest and borrowing costs on convertible bonds	-	5,240
Interest on other loans, wholly repayable within five years	940	1,142
	<u>28,803</u>	<u>72,442</u>
Less: Interest income	(15,193)	(32,195)
	<u>13,610</u>	<u>40,247</u>

## 8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less available tax losses.

The amount of taxation charged in the condensed consolidated interim income statement represents:

	Unaudited Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Overseas taxation	18,398	21,748
Under-provision in prior years	104	-
Deferred taxation	3,311	7,135
	<u>21,813</u>	<u>28,883</u>

## 9 Dividend

No dividend has been paid or declared by the Company for the periods ended 30 June 2009 and 2008.

## 10 Profit/(loss) per share

### (a) Basic

The calculation of the basic profit/(loss) per share is based on consolidated profit attributable to equity holders of the Company of HK\$11,665,000 (2008: loss of HK\$547,241,000) and the weighted average of 3,893,270,558 (2008: 3,893,270,558) ordinary shares in issue during the period.

## 10 Profit/(loss) per share (continued)

### (b) Diluted

Diluted profit/(loss) per share is equal to the basic profit/(loss) per share for the periods ended 30 June 2009 and 2008 as the exercise price of the outstanding share options granted by the Company were higher than the average market price of the share of the Company, and the conversion of the outstanding convertible bonds would have an anti-dilutive effect on profit/(loss) per share.

## 11 Trade and other receivables

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Trade receivables, net of provision	503,312	578,457
Prepayments, deposits and other receivables	289,819	319,971
	<u>793,131</u>	<u>898,428</u>

The Group has established credit policies for customers in each of its businesses. The average period granted for trade receivables ranges from 30 days to 90 days.

The ageing analysis of the Group's trade receivables is as follows:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
1-30 days	114,298	142,391
31-60 days	146,485	173,404
61-90 days	80,854	104,554
Over 90 days	255,719	249,799
	<u>597,356</u>	<u>670,148</u>
Less: Provision for impairment	(94,044)	(91,691)
	<u>503,312</u>	<u>578,457</u>
Represented by:		
Receivables from related companies	2,936	2,936
Receivables from third parties	500,376	575,521
	<u>503,312</u>	<u>578,457</u>

- (a) The carrying values of trade and other receivables approximate their fair values.
- (b) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

## 12 Trade and other payables

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Trade payables	292,214	311,492
Other payables and accruals	791,880	869,118
	<u>1,084,094</u>	<u>1,180,610</u>

The ageing analysis of the Group's trade payables is as follows:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
1-30 days	69,894	86,357
31-60 days	58,586	55,425
61-90 days	29,485	45,253
Over 90 days	134,249	124,457
	<u>292,214</u>	<u>311,492</u>
Represented by:		
Payable to related companies	18,195	18,195
Payable to third parties	274,019	293,297
	<u>292,214</u>	<u>311,492</u>

The carrying values of trade and other payables approximate their fair values.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2009.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2009.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## GENERAL INFORMATION

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2009 have been reviewed by the Company's auditor, PwC HK, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2009 have been reviewed by the Audit Committee of the Company.

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

*Executive Directors:*

*Mr. Yeung Kwok Mung  
Ms. Angela Mak*

*Non-executive Directors:*

*Mr. Frank Sixt (Chairman)  
Ms. Debbie Chang  
Mrs. Susan Chow  
Mr. Edmond Ip  
Mrs. Angelina Lee*

*Independent non-executive  
Directors:*

*Mr. Henry Cheong  
Ms. Anna Wu  
Mr. James Sha*

*Alternate Director:*

*Mr. Francis Meehan  
(Alternate to each of Mr. Frank  
Sixt, Ms. Debbie Chang, Mrs.  
Susan Chow and Mr. Edmond Ip)*

*\* for identification purpose*