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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 2011**

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 2011.

For the reporting period, the Group posted revenues of HK\$1,122 million. Operating loss was HK\$100 million whereas loss attributable to shareholders was HK\$129 million and loss per share was 3.3 HK cents. During the period, regulatory and mobile operator policies in the Mainland continued to pose challenges to the Group's mobile value-added service businesses. To meet these challenges, the Group is building cloud-based cross-device and operator-agnostic open platforms, focusing on user-centric products and services.

During the period, the Internet Group posted revenues of HK\$389 million. Segment loss amounted to HK\$28 million.

The e-Commerce Group continued to build encouraging growth momentum. The Ule joint-venture sold over RMB170 million of prepaid cards while conversion rate of cards sold to customer purchases averaged over 30%. The Ule joint-venture is well positioned competitively in the e-commerce market in the Mainland and management expects this business will become one of the Group's key revenue drivers in future years.

The Publishing Group posted satisfactory results again for the period. Segment revenues and profit grew by 14% and 9% respectively as compared to the previous year. The Group remains a market leader in the digital and printed publishing in the Chinese-language. It has launched over 120 applications on various e-reading devices, while printed publications saw 13% growth in sales during the period.

The operating environment remained challenging for CETV. The Television & Entertainment Group reported loss of HK\$43 million in the period. To increase the distribution of its content, CETV has developed iPhone, iPad and Android applications, which to date have been downloaded 90,000 times in the aggregate. CETV also produces interactive entertainment content that is delivered over other online platforms. Management expects these applications and online offerings to provide a new distribution channel and additional monetization opportunities for CETV's content.

The Outdoor Media Group posted a 7% increase in revenue while occupancy rate of the media assets stood at about 70%.

I would like to take this opportunity to render my appreciation to all the Group's management and staff for their continuing hard work and dedication.

Frank Sixt
Chairman

Hong Kong, 1 August 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

	For the six months ended	
	30 June 2011	30 June 2010
	HK\$'000	HK\$'000
Revenue	1,122,139	1,243,826
Operating loss [#]	(99,811)	(11,931)
Loss attributable to equity holders of the Company	(128,516)	(66,106)
Loss per share (HK cents)	(3.30)	(1.70)

[#] Including share of results of associated companies and jointly controlled entities

Business Review

E-Commerce – KPI performances indicate encouraging growth momentum

Ule (www.ule.com.cn), a unique open platform and joint-venture between TOM and China Post, rolled out an upgrade version of its virtual distribution centre (VDC) in June. This one-stop logistics and warehousing system is tailored to enhance offline merchants' efficiency in order handling, and to offer merchants an affordable entrance to establish their e-commerce channels by offering them the capability for store-front fulfillment in the absence of warehousing. Currently, more than half of the Ule merchants have been using the VDC.

As Ule commenced operation in 2010, it reported encouraging results in various key performance indicators (KPIs), revealing positive growth momentum. Ule was named one of the top 10 portals offering the best investment value. As at end of June, Ule reported gross merchandise value (GMV) over RMB60 million. Revenue grew rapidly with double digit growth per month. The average value per transaction stood at RMB270. On the other hand, offline over-the-counter sales services have been extended to nationwide. Among the various sales channels, group buying services contributed around 20% of GMV.

Moving forward, Ule is becoming a cloud-based open platform for domestic and international business partners, with or without e-commerce experience and capabilities, to tap the Mainland e-commerce market. Furthermore, Ule will grow its user base and sales platform by extending services to online, offline and mobile channels.

Mobile Internet – cloud platform serving as landing runway for international and domestic partners' technology and applications

In response to the evolvement in the 2.5G eco system and arrival of 3G mobile Internet and smartphones, the Internet Group proactively reallocated its financial and human resources from content-based value-added and portal services, which were increasingly pressurized by high costs and thin margin, to the fast-growing mobile Internet business. In the second half of the year, the Internet Group will focus on the launch of mobile Internet products and services on the readily-built cloud-based cross-device mobile Internet platform, in order to materialize the strategic landing platform for local and overseas novelty technology and applications. In the first

6 months of the year, e-reading platform Huanjianshumeng (hjsm.tom.com) extended its device-based platform and saw growth in the number of registered users by 9 folds, reaching 3.6 million. The Group recently announced a strategic partnership with Glu Mobile Inc., a global social mobile game publisher, to develop a smartphone storefront community for the Mainland market. Also to be launched in the fourth quarter in conjunction with an UK partner is “Crunch Time”, an application that combines game entertainment and e-commerce. On the music front, the Internet Group has developed a streaming music SNS application, which will be pre-embedded in Samsung tablets and smartphones to be rolled by late Q3 2011 the earliest. In June, the Internet Group joined the leading local operator 3HK and ESD Life to launch its first self-developed cross-device application “Favspot” in Hong Kong, which recorded over 15,000 downloads shortly since launch and ranked among the top 10 in iTunes Appstore under the Lifestyle category. Moving forward, Favspot will join a major partner to roll out the service in the Mainland.

Publishing – over 120 applications and 700,000 downloads reveals fast development of digital publishing

Both traditional and digital publishing businesses under the Publishing Group reported satisfactory performance. Sales of books and magazines were up by 13% year on year, whereas the digital publishing business captured opportunities in online reading, e-reading applications and hardware devices. Besides e-reading application e Reading Now which provides over 650 books, the Publishing Group has launched over 120 reading applications over iPhone, iPad and Android platforms, recording over 700,000 downloads in the aggregate. These included Searcher application on iPad “Make You Smart”, paid iPad applications launched by *Business Weekly* and Nong Nong’s Bella etc. On the other hand, POPO (www.popo.tw) also saw continuous growth in the aggregate number of authors and titles by 31% and 18% year on year, reaching 4,200 and 4,700 respectively. The Gurubear storybook houses network has extended to 13 outlets. In August, Cité moved further into the international arena by collaborating with the global leading media group British Broadcasting Corporation (BBC) in the launch of Lonely Planet Chinese edition, while iPad and Android versions were also made available. The Chinese edition of BBC Knowledge, a magazine popular amongst the Western markets, will be rolled out in September. Cité and BBC will further collaborate to produce Simplified Chinese editions of these magazines to tap the Mainland market.

CETV under the Television & Entertainment Group outreached to tap overseas advertising clients, and continued to expand its audience base with the launch of device-based applications on iPhone and Android etc. On the other hand, The Outdoor Media Group continued in optimizing and upgrading its media assets portfolio. It posted a 7% growth in revenue in the first half of the year.

Liquidity and Financial Resources

As at 30 June 2011, TOM Group had bank and cash balances, including pledged deposits, of approximately HK\$1,065 million. A total of HK\$2,689 million financing facilities were available, of which HK\$2,034 million had been utilised as at 30 June 2011, to finance the Group’s capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,034 million as at 30 June 2011. This included long-term bank loans of approximately HK\$1,906 million and short-term bank loans of approximately HK\$128 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 53% as at 30 June 2011, as compared to 51% as at 31 December 2010.

As at 30 June 2011, the Group had net current assets of approximately HK\$501 million, as compared to approximately HK\$565 million as at 31 December 2010.

As at 30 June 2011, the current ratio (Current assets/Current liabilities) of TOM Group was 1.34, as compared to 1.39 as at 31 December 2010.

For the first six months of 2011, the Group generated net cash from its operating activities before interest and taxation of HK\$23 million, as compared to HK\$66 million in the same period of 2010.

Charges on Group Assets

As at 30 June 2011, the Group had restricted cash amounting to HK\$3 million, being bank deposits mainly pledged in favour of certain publishing distributors as retainer fee for potential sales return.

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

From 2008 to June 2011, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2008 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT\$663 million (approximately HK\$179 million) in total in deriving the assessable profits of the subsidiary. This gave rise to a potential additional income tax liability to the Group of approximately NT\$166 million (approximately HK\$45 million). The subsidiary duly filed the petitions/appeals to the tax authority and requested for re-examination on the deductibility of the amortisation charge. In 2010, the appeals for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary escalated the appeals to the Court in Taiwan. In December 2010, the subsidiary won the administrative proceedings for the 2004 tax appeal and in January 2011, the tax authority filed a final appeal to the Court for the 2004 revised tax assessment. In June 2011, the subsidiary won the administrative proceedings for the 2005 tax appeal and the tax authority has not yet filed an appeal to the Court at the date of this announcement. Up to the date of this announcement, the final appeal for 2004 and petitions for 2006, 2007 and 2008 are still outstanding and no results have been finalised.

Management has discussed the cases with its external tax representative. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan, and in view of the positive outcome of the 2004 and 2005 administrative proceedings, management is confident of a favourable outcome of the tax appeals/petitions and considers no provision is necessary at this stage.

Should the tax appeals and petitions by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2009 to 2011 would likely be revised on a similar basis. The total incremental tax liability from year 2004 up to 30 June 2011 to the Group thereon is approximately NT\$245 million (approximately HK\$66 million).

Employee Information

As at 30 June 2011, TOM Group had over 3,000 full-time employees. During the first six months of the year, employee costs, including Directors' emoluments, totalled at HK\$305 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2010.

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, 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 the financial reporting.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

		Unaudited	
		Six months ended 30 June	
	Note	2011	2010
		HK\$'000	HK\$'000
Revenue	2	1,122,139	1,243,826
Cost of sales	4	(846,711)	(926,773)
Selling and marketing expenses	4	(132,681)	(121,274)
Administrative expenses	4	(83,870)	(84,427)
Other operating expenses	4	(159,120)	(127,567)
Other gains, net	4	6,989	20,312
Provision for impairment of goodwill and other assets	3	-	(4,800)
Share of profits less losses of jointly controlled entities		(6,571)	(12,965)
Share of profits less losses of associated companies		14	1,737
		(99,811)	(11,931)
Finance income	5	8,437	7,866
Finance costs	5	(29,294)	(29,911)
Finance costs, net	5	(20,857)	(22,045)
Loss before taxation		(120,668)	(33,976)
Taxation	6	(17,332)	(25,570)
Loss for the period		(138,000)	(59,546)
Attributable to:			
- Non-controlling interests		(9,484)	6,560
- Equity holders of the Company		(128,516)	(66,106)
Loss per share for loss attributable to the equity holders of the Company			
Basic and diluted	8	HK(3.30)cents	HK(1.70)cents

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Loss for the period	(138,000)	(59,546)
Other comprehensive income/(expenses)		
Exchange translation differences	54,721	(4,614)
Employee share option schemes- Value of employee services	-	120
Revaluation surplus/(deficit) on available-for-sale financial assets, net of tax	443	(1,462)
	<u>55,164</u>	<u>(5,956)</u>
Other comprehensive income/(expenses) for the period, net of tax	<u>55,164</u>	<u>(5,956)</u>
Total comprehensive expenses for the period	<u>(82,836)</u>	<u>(65,502)</u>
Total comprehensive income/(expenses) for the period attributable to:		
- Non-controlling interests	<u>1,447</u>	<u>8,469</u>
- Equity holders of the Company	<u>(84,283)</u>	<u>(73,971)</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		145,350	143,769
Goodwill		2,730,203	2,682,513
Other intangible assets		122,531	112,207
Interests in jointly controlled entities		(128,645)	(132,651)
Interests in associated companies		223,032	230,736
Available-for-sale financial assets		14,943	28,780
Advance to an investee company		2,172	2,172
Deferred tax assets		36,431	31,235
Other non-current assets		19,545	23,609
		<u>3,165,562</u>	<u>3,122,370</u>
Current assets			
Inventories		106,097	98,354
Trade and other receivables	9	821,334	836,240
Restricted cash		3,210	3,958
Cash and cash equivalents		1,062,269	1,079,340
		<u>1,992,910</u>	<u>2,017,892</u>
Current liabilities			
Trade and other payables	10	1,240,340	1,226,149
Taxation payable		47,401	45,937
Long-term bank loans - current portion		75,853	72,039
Short-term bank loans		128,108	109,032
		<u>1,491,702</u>	<u>1,453,157</u>
Net current assets		<u>501,208</u>	<u>564,735</u>
Total assets less current liabilities		<u>3,666,770</u>	<u>3,687,105</u>
Non-current liabilities			
Deferred tax liabilities		13,925	12,449
Non-current portion of long-term bank loans		1,830,276	1,770,361
Pension obligations		33,981	32,384
		<u>1,878,182</u>	<u>1,815,194</u>
Net assets		<u>1,788,588</u>	<u>1,871,911</u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		389,328	389,328
Reserves		1,045,394	1,130,525
Own shares held		(6,244)	(6,244)
		<u>1,428,478</u>	<u>1,513,609</u>
Non-controlling interests		360,110	358,302
Total equity		<u>1,788,588</u>	<u>1,871,911</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	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	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2011	389,328	(6,244)	3,625,981	27,162	776	137,346	3,001	605,993	(3,269,734)	1,513,609	358,302	1,871,911
Comprehensive income:												
Loss for the period	-	-	-	-	-	-	-	-	(128,516)	(128,516)	(9,484)	(138,000)
Other comprehensive income:												
Revaluation surplus on available-for- sale financial assets, net of tax	-	-	-	-	-	-	443	-	-	443	-	443
Exchange translation differences	-	-	-	-	-	-	-	43,790	-	43,790	10,931	54,721
Total comprehensive income for the period ended 30 June 2011	-	-	-	-	-	-	443	43,790	(128,516)	(84,283)	1,447	(82,836)
Transactions with equity holders:												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,428)	(1,428)
Acquisition of additional interests in a subsidiary	-	-	-	(848)	-	-	-	-	-	(848)	848	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	941	941
Transactions with equity holders	-	-	-	(848)	-	-	-	-	-	(848)	361	(487)
Balance at 30 June 2011	389,328	(6,244)	3,625,981	26,314	776	137,346	3,444	649,783	(3,398,250)	1,428,478	360,110	1,788,588

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	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	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2010	389,328	(6,244)	3,625,981	38,437	776	133,760	2,332	569,729	(3,095,946)	1,658,153	377,723	2,035,876
Comprehensive income:												
Loss for the period	-	-	-	-	-	-	-	-	(66,106)	(66,106)	6,560	(59,546)
Other comprehensive income:												
Employee share option schemes-												
Value of employee services	-	-	-	133	-	-	-	-	-	133	(13)	120
Revaluation deficit on available-for- sale financial assets, net of tax	-	-	-	-	-	-	(1,462)	-	-	(1,462)	-	(1,462)
Exchange translation differences	-	-	-	-	-	-	-	(6,536)	-	(6,536)	1,922	(4,614)
Total comprehensive income for the period ended 30 June 2010	-	-	-	133	-	-	(1,462)	(6,536)	(66,106)	(73,971)	8,469	(65,502)
Transactions with equity holders:												
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,368)	(1,368)
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(7,359)	(7,359)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	468	468
Transactions with equity holders	-	-	-	-	-	-	-	-	-	-	(8,259)	(8,259)
Balance at 30 June 2010	389,328	(6,244)	3,625,981	38,570	776	133,760	870	563,193	(3,162,052)	1,584,182	377,933	1,962,115

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments to standards are relevant and mandatory to the Group for the financial year beginning 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 34 (Amendment)	Interim Financial Reporting

The effect of the adoption of the above amendments to standards beginning 1 January 2011 is not material to the Group's results of operations or financial position and only results in additional disclosures.

2 Turnover, revenue and segment information

The Group has five reportable segments:

- Internet Group - provision of wireless internet services, online advertising, commercial enterprise solutions and internet access services.
- E-Commerce Group - merchandise sales through internet-based marketplace.
- 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.

2 Turnover, revenue and segment information (continued)

The segment results for the six months ended 30 June 2011 are as follows:

Unaudited Six months ended 30 June 2011						
	Internet Group HK\$'000	E-Commerce 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	388,942	-	500,991	149,944	82,727	1,122,604
Inter-segment revenue	-	-	-	-	(465)	(465)
Net revenue from external customers	<u>388,942</u>	<u>-</u>	<u>500,991</u>	<u>149,944</u>	<u>82,262</u>	<u>1,122,139</u>
Segment profit/(loss) before amortisation and depreciation	(21,888)	(25,709)	106,352	1,749	(21,711)	38,793
Amortisation and depreciation	(6,254)	(1,598)	(50,333)	(20,447)	(21,240)	(99,872)
Segment profit/(loss)	<u>(28,142)</u>	<u>(27,307)</u>	<u>56,019</u>	<u>(18,698)</u>	<u>(42,951)</u>	<u>(61,079)</u>
Other material non-cash items:						
Share of profits less losses of jointly controlled entities	-	(6,571)	-	-	-	(6,571)
Share of profits less losses of associated companies	164	-	(150)	-	-	14
	<u>164</u>	<u>(6,571)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>	<u>(6,557)</u>
Finance costs:						
Finance income (note a)	7,082	7	10,969	1,022	36	19,116
Finance expenses (note a)	-	-	(7,706)	-	(9,415)	(17,121)
	<u>7,082</u>	<u>7</u>	<u>3,263</u>	<u>1,022</u>	<u>(9,379)</u>	<u>1,995</u>
Segment profit/(loss) before taxation	<u>(20,896)</u>	<u>(33,871)</u>	<u>59,132</u>	<u>(17,676)</u>	<u>(52,330)</u>	<u>(65,641)</u>
Unallocated corporate expenses						(55,027)
Loss before taxation						<u>(120,668)</u>
Expenditure for operating segment non-current assets	3,727	512	52,946	22,566	26,112	105,863
Unallocated expenditure for non- current assets						62
Total expenditure for non-current assets						<u>105,925</u>

The Group has reorganised the business segments such that merchandise sales generated through internet-based marketplace have been reported in the E-Commerce Group from the year ended 31 December 2010 onwards.

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,759,000 and HK\$9,781,000 were included in the finance income and finance expenses respectively.

2 Turnover, revenue and segment information (continued)

The segment results for the six months ended 30 June 2010 are as follows:

Unaudited
Six months ended 30 June 2010

	Internet Group HK\$'000	E-Commerce 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	562,864	264	439,371	139,846	102,027	1,244,372
Inter-segment revenue	-	-	-	-	(546)	(546)
Net revenue from external customers	<u>562,864</u>	<u>264</u>	<u>439,371</u>	<u>139,846</u>	<u>101,481</u>	<u>1,243,826</u>
Segment profit/(loss) before amortisation and depreciation	37,955	(10,158)	85,265	11,352	(5,502)	118,912
Amortisation and depreciation	(7,823)	(939)	(33,635)	(21,522)	(17,248)	(81,167)
Segment profit/(loss)	<u>30,132</u>	<u>(11,097)</u>	<u>51,630</u>	<u>(10,170)</u>	<u>(22,750)</u>	<u>37,745</u>
Other material non-cash items:						
Provision for impairment of goodwill and other assets	-	-	-	(4,800)	-	(4,800)
Share of losses of jointly controlled entities	-	(12,965)	-	-	-	(12,965)
Share of profits less losses of associated companies	311	-	1,426	-	-	1,737
	<u>311</u>	<u>(12,965)</u>	<u>1,426</u>	<u>(4,800)</u>	<u>-</u>	<u>(16,028)</u>
Finance costs:						
Finance income (note a)	6,403	1	12,618	1,545	28	20,595
Finance expenses (note a)	-	-	(9,286)	(279)	(8,780)	(18,345)
	<u>6,403</u>	<u>1</u>	<u>3,332</u>	<u>1,266</u>	<u>(8,752)</u>	<u>2,250</u>
Segment profit/(loss) before taxation	<u>36,846</u>	<u>(24,061)</u>	<u>56,388</u>	<u>(13,704)</u>	<u>(31,502)</u>	<u>23,967</u>
Unallocated corporate expenses						(57,943)
Loss before taxation						<u>(33,976)</u>
Expenditure for operating segment non-current assets	4,899	7,787	42,955	20,141	18,381	94,163
Unallocated expenditure for non- current assets						25
Total expenditure for non-current assets						<u>94,188</u>

For the six months ended 30 June 2010, the Group reported merchandise sales generated through internet-based marketplace in the Internet Group. The comparative figures have been reclassified to conform with the current period's presentation.

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$12,845,000 and HK\$9,478,000 were included in the finance income and finance expenses respectively.

2 Turnover, revenue and segment information (continued)

The segment assets and liabilities at 30 June 2011 are as follows:

	Unaudited As at 30 June 2011					
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	2,902,559	18,079	1,259,880	652,544	180,522	5,013,584
Interests in jointly controlled entities	-	(128,645)	-	-	-	(128,645)
Interests in associated companies	3,937	-	219,095	-	-	223,032
Unallocated assets						50,501
Total assets						5,158,472
Segment liabilities	543,584	6,531	370,408	160,418	81,694	1,162,635
Unallocated liabilities:						
Corporate liabilities						111,686
Current taxation						47,401
Deferred taxation						13,925
Borrowings						2,034,237
Total liabilities						3,369,884

2 Turnover, revenue and segment information (continued)

The segment assets and liabilities at 31 December 2010 are as follows:

Audited As at 31 December 2010						
	Internet Group HK\$'000	E-Commerce Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Segment assets	2,830,779	25,874	1,243,478	726,167	169,444	4,995,742
Interests in jointly controlled entities	-	(132,651)	-	-	-	(132,651)
Interests in associated companies	3,722	-	227,014	-	-	230,736
Unallocated assets						46,435
Total assets						5,140,262
Segment liabilities	517,567	11,739	401,565	158,023	64,125	1,153,019
Unallocated liabilities:						
Corporate liabilities						105,514
Current taxation						45,937
Deferred taxation						12,449
Borrowings						1,951,432
Total liabilities						3,268,351

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.

3 Provision for impairment of goodwill and other assets

The amount in 2010 represented the provision for impairment of goodwill of HK\$2,614,000 and an available-for-sale financial asset of HK\$2,186,000 relating to the Outdoor Media Group. These provisions were made with reference to the reduced estimated values of certain operations and assets held by the Outdoor Media Group.

4 Operating loss

Operating loss is stated after charging/crediting the following:

	Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Charging:		
Depreciation of fixed assets	28,496	29,475
Amortisation of other intangible assets	71,892	52,003
Amortisation of other intangible assets included in interests in associated companies	1,356	1,356
Loss on disposal of fixed assets	-	320
	<u> </u>	<u> </u>
Crediting:		
Exchange gains, net	653	20,329
Dividend income from available-for-sale financial assets/an available-for-sale financial asset	6,153	303
Gain on disposal of fixed assets	183	-
	<u> </u>	<u> </u>

5 Finance costs, net

	Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interest and borrowing costs on bank loans	28,370	28,977
Interest on other loans	924	934
	<u> </u>	<u> </u>
	29,294	29,911
Less: Interest income	(8,437)	(7,866)
	<u> </u>	<u> </u>
	20,857	22,045
	<u> </u>	<u> </u>

6 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Overseas taxation	19,679	17,585
Under-provision in prior years	540	-
Deferred taxation	(2,887)	7,985
	<hr/>	<hr/>
Taxation charge	17,332	25,570
	<hr/>	<hr/>

7 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 June 2011 (2010: HK\$Nil).

8 Loss per share

(a) Basic

The calculation of the basic loss per share is based on consolidated loss attributable to the equity holders of the Company of HK\$128,516,000 (2010: HK\$66,106,000) and the weighted average of 3,893,270,558 (2010: 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 2011 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 (2010: Same).

9 Trade and other receivables

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Trade receivables	526,210	538,364
Prepayments, deposits and other receivables	295,124	297,876
	<u>821,334</u>	<u>836,240</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 90 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 were as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Current	152,131	168,424
31-60 days	112,762	132,085
61-90 days	90,327	89,129
Over 90 days	269,009	244,635
	<u>624,229</u>	<u>634,273</u>
Less: Provision for impairment	(98,019)	(95,909)
	<u>526,210</u>	<u>538,364</u>

10 Trade and other payables

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Trade payables	320,377	319,787
Other payables and accruals	919,963	906,362
	<u>1,240,340</u>	<u>1,226,149</u>

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

The ageing analyses of the Group's trade payables were as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Current	81,973	101,460
31-60 days	42,878	47,170
61-90 days	24,961	27,951
Over 90 days	170,565	143,206
	<u>320,377</u>	<u>319,787</u>

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of 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") for the six months ended 30 June 2011.

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 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2011, 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 interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2011 have been reviewed by the Company's auditor, PricewaterhouseCoopers, 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 interim financial information of the Company and its subsidiary companies for the six months ended 30 June 2011 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*