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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 2012**

**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 2012.

In the first six months of the year, TOM Group reported stable revenues of HK\$1,134 million, a slight increase of 1% as compared to the previous year. Operating loss narrowed by 48% to HK\$52 million, whereas loss attributable to shareholders reduced by 21% to HK\$102 million or 2.62 HK cents per share.

The Internet Group reported a noticeable 64% reduction in segment loss, while revenues stood at HK\$361 million. During the period, the Group stepped up efforts in rolling out its user-centric mobile Internet services including popular music and game applications with measurable growth in both number of users and downloads.

The Group's e-commerce business continued to deliver strong operational matrix. During the first half, the Ule joint-venture saw 2-time growth in gross merchandise value (GMV). The average value per transaction of Ule stood at RMB330, doubled the industry average. Moving forward, Ule will deepen its collaboration with China Post and further grow its user base and sales platforms to drive revenues for the Group.

The Publishing Group posted steady results for the reporting period. Segment revenues stood stable at HK\$503 million. Since Cité was awarded the right to operate a satellite channel in March, it has been working closely with the Television & Entertainment Group to co-produce programmes for cross-strait distribution. The Cité satellite channel is targeted to launch in Taiwan early next year.

\* for identification purpose

The Television & Entertainment Group reported improved financial performance with an 18% increase in revenues and a 15% reduction in segment loss during the period. CETV saw growth in both ratings and advertising income during the period. It continues to further expand coverage of its content and user interaction via its proprietary applications.

The Outdoor Media Group (OMG) continued to show improvement in operational efficiency. During the first half, OMG posted a 12% increase in revenues with segment loss reduced considerably by 96%.

For the remainder of the year, TOM Group will continue to focus on financial and operating disciplines and its efforts in rolling out innovative services to further drive revenues for the Group.

I would like to take this opportunity to thank the management and all the staff of TOM Group for their hard work and dedication.

**Frank Sixt**  
*Chairman*

Hong Kong, 30 July 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

|  | For the six months ended |              |
|--|--------------------------|--------------|
|  | 30 June 2012             | 30 June 2011 |
|  | HK\$'000                 | HK\$'000     |
| Revenue  | 1,133,855                | 1,122,139    |
| Operating loss <sup>#</sup>                        | (52,049)                 | (99,811)     |
| Loss attributable to equity holders of the Company | (101,847)                | (128,516)    |
| Loss per share (HK cents)                          | (2.62)                   | (3.30)       |

*# Including share of results of associated companies and jointly controlled entities*

### Business Review

#### **E-commerce – growth continued as revealed by KPI performances**

Ule (www.ule.com), an online and offline e-shopping platform and joint-venture between TOM Group and China Post, reported further growth in various key performance indicators (KPIs). In the first half of the year, gross merchandise value (GMV) increased by 2 times year on year. Average value per transaction also increased by 16% in 6 months to RMB330, a double of the industry norm. During the same period, registered users grew by more than 70%, whereas repeated buyer rate stood at above 20%. The business outlook of Ule remains positive.

As Ule deepened its collaboration with China Post, more than 1.5 million co-branded debit cards have been issued in collaboration with the Postal Savings Bank to bring a seamless shopping experience for the Postal Savings Bank customers. Ule also launched the “Provincial Zones” in conjunction with 18 provincial posts, featuring unique and quality local specialties. Starting early 2012, Ule collaborated with the New Zealand post office to bring their local products to Mainland consumers, with a special focus on the New Zealand baby formula.

#### **Internet – rapid adoption of innovative music and game services**

For the reporting period, the Internet Group considerably narrowed its segment loss by 64%. As the Group introduced various mobile Internet products, both the user base and traffic volume reported robust growth by folds in the first half of the year. Downloads of game and music applications went up by 3 and 4 times respectively, whereas active users grew by 2 times. Paid users of PK games also increased by nearly 2 times. On the other hand, music social networking service “637.fm” has been recognised by the music industry as a promotion platform for the interaction between artists and fans. By the end of June, “637.fm” has partnered with more than 20 record labels such as Taihe Rye Music and Ocean Butterflies etc, as well as over 60 popular artists including Yang Kun and Xu Fei etc.

#### **Publishing – leadership in publishing and extending footprints in the Chinese-language media markets**

The Publishing Group maintained stable revenue level as well as leadership in printed publishing, whereas digital publishing maintained its growth momentum in the reporting period. The e-reading applications, which span across iPhone, iPad and Android, increased by over a

fold as compared to the first half of the previous year. Among these applications, about 80% were paid. Gross downloads also grew by more than 3 times year on year. Recently, Pixnet rolled out an innovative digital media platform “7 Headlines” ([www.7headlines.com](http://www.7headlines.com)), which blends personalised content and sharing, and features news aggregation services.

As the Publishing Group moves into the Chinese-language e-publishing markets, the joint-venture between Cité and Japanese publisher Kodansha has been launching an average of 20 popular Japanese books and comics in digital format and Chinese language every month. In the second half of the year, the Publishing Group will join The Straits Publishing & Distributing Group in Fujian to launch the new *Love Pregnancy* initiative in the Mainland across printed books, mobile Internet, website and microblogs etc. On the other hand, since Cité in Taiwan was awarded the right to operate a satellite channel, it has been working closely with the Television & Entertainment Group to co-produce programmes for cross-strait distribution.

The Publishing Group was again recognised amongst its industry peers for its excellence in quality control and title selection. *Nothing to Envy: Ordinary Lives in North Korea* was awarded “The 5th Hong Kong Book Prize”. Also, *Lulu and the Brontosarus* was named among the top 10 best books in the Recommended Books of the “Dr. Book Chart” held by the Hong Kong Professional Teachers’ Union and the Leisure and Cultural Services Department. On the other hand, 《天香》 (translated title: *Heavenly Fragrance*) and 《四書》 (translated title: *Four Books*) won the “Recommendation Award” in “The Dream of the Red Chamber Award: The World’s Distinguished Novel in Chinese”. *CUP* magazine ranked 2nd-runner up in the news and current affairs category of “Magazine of The Year 2012” organized by *Marketing Magazine*.

### **Television & Entertainment and Outdoor Media improved revenue**

The Television & Entertainment segment reported 18% revenue growth year on year. The Outdoor Media Group continued upgrading its media assets, and saw 12% increase in revenue as compared to the previous year.

### **Liquidity and Financial Resources**

As at 30 June 2012, TOM Group had cash and bank balances, excluding pledged deposits, of approximately HK\$854 million. A total of HK\$2,914 million financing facilities were available, of which HK\$2,217 million had been utilised as at 30 June 2012, to finance the Group’s capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,217 million as at 30 June 2012. These included long-term bank loans of approximately HK\$2,073 million and short-term bank loans of approximately HK\$144 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 62% as at 30 June 2012, as compared to 59% as at 31 December 2011.

As at 30 June 2012, the Group had net current assets of approximately HK\$555 million, as compared to HK\$645 million as at 31 December 2011. As at 30 June 2012, the current ratio (Current assets/Current liabilities) of TOM Group was 1.44, compared to 1.50 as at 31 December 2011.

For the first six months of 2012, net cash generated from operating activities, before changes in working capital, interest and tax payments, amounted to HK\$49 million, as compared to HK\$5 million in the same period of 2011. Net cash used in operating activities, inclusive of changes in working capital, interest and tax payments, amounted to HK\$74 million, as compared to HK\$12 million in the same period of 2011.

## **Charges on Group Assets**

As at 30 June 2012, the Group had restricted cash amounting to HK\$4 million, being bank deposits, mainly pledged in favour of certain publishing distributors in Taiwan 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 2012, a subsidiary of the Group in Taiwan received revised income tax assessments for the years ended 31 December 2004 to 2009 from the local tax authority, disallowing the deduction of amortisation of intangible assets amounting to approximately NT\$820 million (approximately HK\$213 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\$205 million (approximately HK\$53 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 petitions for 2004 and 2005 revised tax assessments were turned down by the tax authority and the subsidiary appealed to the Court in Taiwan. In November 2010 and June 2011, the subsidiary won the 2004 and 2005 tax appeals respectively. In January and August 2011, the tax authority filed the final appeals to the Court for the 2004 and 2005 revised tax assessments respectively. In February and March 2012, the Court decided to revert the 2004 and 2005 tax assessments back for re-trial, on the opinion that appropriate laws and regulations have not been applied in drawing the conclusion of the original judgement for the 2004 and 2005 tax assessments. Up to the date of this announcement, the dates for the trials were not yet fixed by the Court.

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. 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 2010 to 2012 would likely be revised on a similar basis. The total incremental tax liability in relation to year 2004 to 30 June 2012 to the Group thereon is approximately NT\$272 million (approximately HK\$71 million).

## **Employee Information**

As at 30 June 2012, TOM Group had approximately 3,000 full-time employees. During the first six months of the year, employee costs, including Directors' emoluments, totalled HK\$309 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2011.

### **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) 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 2012**

|   |      | Unaudited<br>Six months ended 30 June |                  |
|---|------|---------------------------------------|------------------|
|   | Note | 2012<br>HK\$'000                      | 2011<br>HK\$'000 |
| Revenue   | 2    | 1,133,855                             | 1,122,139        |
| Cost of sales   | 3    | (830,591)                             | (846,711)        |
| Selling and marketing expenses  | 3    | (129,882)                             | (132,681)        |
| Administrative expenses   | 3    | (87,956)                              | (83,870)         |
| Other operating expenses  | 3    | (158,341)                             | (159,120)        |
| Other gains, net  | 3    | 13,922                                | 6,989            |
| Share of profits less losses of jointly controlled entities               |      | 10,038                                | (6,571)          |
| Share of profits less losses of associated companies                      |      | (3,094)                               | 14               |
|   |      | (52,049)                              | (99,811)         |
| Finance income  | 4    | 9,958                                 | 8,437            |
| Finance costs   | 4    | (33,568)                              | (29,294)         |
| Finance costs, net  | 4    | (23,610)                              | (20,857)         |
| Loss before taxation  |      | (75,659)                              | (120,668)        |
| Taxation  | 5    | (16,514)                              | (17,332)         |
| Loss for the period   |      | (92,173)                              | (138,000)        |
| Attributable to:  |      |                                       |                  |
| - Non-controlling interests   |      | 9,674                                 | (9,484)          |
| - Equity holders of the Company   |      | (101,847)                             | (128,516)        |
| Loss per share for loss attributable to the equity holders of the Company |      |                                       |                  |
| Basic and diluted   | 7    | HK(2.62)cents                         | HK(3.30)cents    |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

|  | Unaudited                |                   |
|--|--------------------------|-------------------|
|  | Six months ended 30 June |                   |
|  | 2012                     | 2011              |
|  | HK\$'000                 | HK\$'000          |
| <b>Loss for the period</b>   | (92,173)                 | (138,000)         |
| <b>Other comprehensive (expenses)/income</b>                                     |                          |                   |
| Exchange translation differences   | (19,945)                 | 54,721            |
| Revaluation (deficit)/surplus on available-for-sale financial assets, net of tax | (224)                    | 443               |
| Pension reserve recycled to income statement on disposal of a subsidiary         | 1,612                    | -                 |
|  | <u>          </u>        | <u>          </u> |
| <b>Other comprehensive (expenses)/income for the period, net of tax</b>          | (18,557)                 | 55,164            |
|  | <u>          </u>        | <u>          </u> |
| <b>Total comprehensive expenses for the period</b>                               | <u>(110,730)</u>         | <u>(82,836)</u>   |
| <b>Total comprehensive (expenses)/income for the period attributable to:</b>     |                          |                   |
| - Non-controlling interests  | <u>9,879</u>             | <u>1,447</u>      |
| - Equity holders of the Company  | <u>(120,609)</u>         | <u>(84,283)</u>   |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012**

|  | Note | Unaudited<br>30 June<br>2012<br>HK\$'000 | Audited<br>31 December<br>2011<br>HK\$'000 |
|--|------|--|--|
| <b>ASSETS AND LIABILITIES</b>                              |      |  |  |
| <b>Non-current assets</b>                                  |      |  |  |
| Fixed assets   |      | 164,979                                  | 159,990                                    |
| Goodwill   |      | 2,267,056                                | 2,355,948                                  |
| Other intangible assets                                    |      | 101,906                                  | 99,969                                     |
| Interests in jointly controlled entities                   |      | 6,679                                    | (117,523)                                  |
| Interests in associated companies                          |      | 221,077                                  | 221,753                                    |
| Available-for-sale financial assets                        |      | 17,807                                   | 12,763                                     |
| Advance to an investee company                             |      | 2,177                                    | 2,172                                      |
| Deferred tax assets  |      | 43,679                                   | 41,875                                     |
| Other non-current assets                                   |      | 24,076                                   | 27,555                                     |
|  |      | <u>2,849,436</u>                         | <u>2,804,502</u>                           |
| <b>Current assets</b>                                      |      |  |  |
| Inventories  |      | 103,030                                  | 101,062                                    |
| Trade and other receivables                                | 8    | 865,599                                  | 860,951                                    |
| Restricted cash  |      | 3,666                                    | 3,766                                      |
| Cash and cash equivalents                                  |      | 854,066                                  | 961,773                                    |
|  |      | <u>1,826,361</u>                         | <u>1,927,552</u>                           |
| <b>Current liabilities</b>                                 |      |  |  |
| Trade and other payables                                   | 9    | 1,009,186                                | 1,048,361                                  |
| Taxation payable   |      | 43,289                                   | 43,080                                     |
| Long-term bank loans - current portion                     |      | 74,100                                   | 73,160                                     |
| Short-term bank loans                                      |      | 144,300                                  | 118,082                                    |
|  |      | <u>1,270,875</u>                         | <u>1,282,683</u>                           |
| <b>Net current assets</b>                                  |      | <u>555,486</u>                           | <u>644,869</u>                             |
| <b>Total assets less current liabilities</b>               |      | <u>3,404,922</u>                         | <u>3,449,371</u>                           |
| <b>Non-current liabilities</b>                             |      |  |  |
| Deferred tax liabilities                                   |      | 19,315                                   | 17,650                                     |
| Non-current portion of long-term bank loans                |      | 1,998,700                                | 1,940,656                                  |
| Pension obligations  |      | 33,622                                   | 35,291                                     |
|  |      | <u>2,051,637</u>                         | <u>1,993,597</u>                           |
| <b>Net assets</b>  |      | <u>1,353,285</u>                         | <u>1,455,774</u>                           |
| <b>EQUITY</b>  |      |  |  |
| <b>Equity attributable to the Company's equity holders</b> |      |  |  |
| Share capital  |      | 389,328                                  | 389,328                                    |
| Reserves   |      | 622,566                                  | 743,175                                    |
| Own shares held  |      | (6,244)                                  | (6,244)                                    |
|  |      | <u>1,005,650</u>                         | <u>1,126,259</u>                           |
| Non-controlling interests                                  |      | 347,635                                  | 329,515                                    |
| <b>Total equity</b>  |      | <u>1,353,285</u>                         | <u>1,455,774</u>                           |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

|  | Unaudited                                     |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
|--|---|--------------------------------|------------------------------|--------------------------------|--|--------------------------------|--|---------------------------------|-----------------------------------|-------------------|--|-----------------------------|
|  | Attributable to equity holders of the Company |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
|  | Share<br>capital<br>HK\$'000                  | Own<br>shares held<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | General<br>reserve<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
| Balance at 1 January 2012  | 389,328                                       | (6,244)                        | 3,625,981                    | 26,314                         | 776  | 139,257                        | 1,548  | 722,083                         | (3,772,784)                       | 1,126,259         | 329,515                                      | 1,455,774                   |
| <b>Comprehensive income:</b>   |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Loss for the period  | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | (101,847)                         | (101,847)         | 9,674  | (92,173)                    |
| Other comprehensive income:  |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Revaluation deficit on available-for-sale financial assets, net of tax   | -   | -                              | -                            | -                              | -  | -                              | (224)  | -                               | -                                 | (224)             | -  | (224)                       |
| Pension reserve recycled to income statement on disposal of a subsidiary | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | 1,331                             | 1,331             | 281  | 1,612                       |
| Exchange translation differences   | -   | -                              | -                            | -                              | -  | -                              | -  | (19,869)                        | -                                 | (19,869)          | (76)   | (19,945)                    |
| Total comprehensive (expenses)/ income for the period ended 30 June 2012 | -   | -                              | -                            | -                              | -  | -                              | (224)  | (19,869)                        | (100,516)                         | (120,609)         | 9,879  | (110,730)                   |
| <b>Transactions with equity holders:</b>                                 |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Deconsolidation of a subsidiary  | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | -                                 | -                 | (85)   | (85)                        |
| Contributions from non-controlling interests                             | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | -                                 | -                 | 8,326  | 8,326                       |
| Transactions with equity holders   | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | -                                 | -                 | 8,241  | 8,241                       |
| Balance at 30 June 2012  | 389,328                                       | (6,244)                        | 3,625,981                    | 26,314                         | 776  | 139,257                        | 1,324  | 702,214                         | (3,873,300)                       | 1,005,650         | 347,635                                      | 1,353,285                   |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

|  | Unaudited                                     |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
|--|---|--------------------------------|------------------------------|--------------------------------|--|--------------------------------|--|---------------------------------|-----------------------------------|-------------------|--|-----------------------------|
|  | Attributable to equity holders of the Company |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
|  | Share<br>capital<br>HK\$'000                  | Own<br>shares held<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | General<br>reserve<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>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                   |
| <b>Comprehensive income:</b>   |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Loss for the period  | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | (128,516)                         | (128,516)         | (9,484)                                      | (138,000)                   |
| Other comprehensive income:  |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Revaluation surplus on available-for-<br>sale financial assets, net of tax     | -   | -                              | -                            | -                              | -  | -                              | 443  | -                               | -                                 | 443               | -  | 443                         |
| Exchange translation differences   | -   | -                              | -                            | -                              | -  | -                              | -  | 43,790                          | -                                 | 43,790            | 10,931                                       | 54,721                      |
| Total comprehensive (expenses)/<br>income for the period ended 30<br>June 2011 | -   | -                              | -                            | -                              | -  | -                              | 443  | 43,790                          | (128,516)                         | (84,283)          | 1,447  | (82,836)                    |
| <b>Transactions with equity holders:</b>                                       |   |                                |                              |                                |  |                                |  |                                 |                                   |                   |  |                             |
| Dividend paid to non-controlling<br>interests                                  | -   | -                              | -                            | -                              | -  | -                              | -  | -                               | -                                 | -                 | (1,428)                                      | (1,428)                     |
| Acquisition of additional interests in a<br>subsidiary                         | -   | -                              | -                            | (848)                          | -  | -                              | -  | -                               | -                                 | (848)             | 848  | -                           |
| Contribution from non-controlling<br>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                   |

## **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 2012 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 2011, 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 2011, 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.

There are no new standards, amendments to standards and interpretations that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

### **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 programmes and provision of media sales, 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 2012 are as follows:

|   | Unaudited<br>Six months ended 30 June 2012 |                                 |                                 |                                       |   |                   |
|---|--|---------------------------------|---------------------------------|---------------------------------------|---|-------------------|
|   | Internet<br>Group<br>HK\$'000              | E-Commerce<br>Group<br>HK\$'000 | Publishing<br>Group<br>HK\$'000 | Outdoor<br>Media<br>Group<br>HK\$'000 | Television<br>and<br>Entertainment<br>Group<br>HK\$'000 | Total<br>HK\$'000 |
| Total gross segment revenue                                 | 360,992                                    | 4,906                           | 503,095                         | 167,930                               | 97,358  | 1,134,281         |
| Inter-segment revenue                                       | -  | -                               | -                               | -                                     | (426)   | (426)             |
| Net revenue from external customers                         | <u>360,992</u>                             | <u>4,906</u>                    | <u>503,095</u>                  | <u>167,930</u>                        | <u>96,932</u>   | <u>1,133,855</u>  |
| Segment profit/(loss) before amortisation and depreciation  | (5,056)                                    | (31,709)                        | 114,736                         | 17,207                                | (16,165)  | 79,013            |
| Amortisation and depreciation                               | (5,131)                                    | (1,908)                         | (59,637)                        | (17,906)                              | (20,263)  | (104,845)         |
| Segment profit/(loss)                                       | <u>(10,187)</u>                            | <u>(33,617)</u>                 | <u>55,099</u>                   | <u>(699)</u>                          | <u>(36,428)</u>   | <u>(25,832)</u>   |
| Other material non-cash items:                              |  |                                 |                                 |                                       |   |                   |
| Share of profits less losses of jointly controlled entities | -  | 10,038                          | -                               | -                                     | -   | 10,038            |
| Share of profits less losses of associated companies        | 372  | -                               | (3,466)                         | -                                     | -   | (3,094)           |
|   | <u>372</u>                                 | <u>10,038</u>                   | <u>(3,466)</u>                  | <u>-</u>                              | <u>-</u>  | <u>6,944</u>      |
| Finance costs:  |  |                                 |                                 |                                       |   |                   |
| Finance income (note a)                                     | 8,136                                      | 13                              | 11,354                          | 592                                   | 63  | 20,158            |
| Finance expenses (note a)                                   | -  | -                               | (6,802)                         | -                                     | (10,818)  | (17,620)          |
|   | <u>8,136</u>                               | <u>13</u>                       | <u>4,552</u>                    | <u>592</u>                            | <u>(10,755)</u>   | <u>2,538</u>      |
| Segment profit/(loss) before taxation                       | <u>(1,679)</u>                             | <u>(23,566)</u>                 | <u>56,185</u>                   | <u>(107)</u>                          | <u>(47,183)</u>   | <u>(16,350)</u>   |
| Unallocated corporate expenses                              |  |                                 |                                 |                                       |   | (59,309)          |
| Loss before taxation  |  |                                 |                                 |                                       |   | <u>(75,659)</u>   |
| Expenditure for operating segment non-current assets        | 2,552                                      | 7,708                           | 66,426                          | 14,361                                | 23,387  | 114,434           |
| Unallocated expenditure for non-current assets              |  |                                 |                                 |                                       |   | 216               |
| Total expenditure for non-current assets                    |  |                                 |                                 |                                       |   | <u>114,650</u>    |

Note (a): Inter-segment interest income and inter-segment interest expenses amounted to HK\$10,946,000 and HK\$11,386,000 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 2011 are as follows:

|   | Unaudited<br>Six months ended 30 June 2011 |                                 |                                 |                                       |   |                   |
|---|--|---------------------------------|---------------------------------|---------------------------------------|---|-------------------|
|   | Internet<br>Group<br>HK\$'000              | E-Commerce<br>Group<br>HK\$'000 | Publishing<br>Group<br>HK\$'000 | Outdoor<br>Media<br>Group<br>HK\$'000 | Television<br>and<br>Entertainment<br>Group<br>HK\$'000 | Total<br>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>    |

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 assets and liabilities at 30 June 2012 are as follows:

|   | Unaudited<br>As at 30 June 2012 |                                 |                                 |                                       |   | Total<br>HK\$'000 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------------|---|-------------------|
|   | Internet<br>Group<br>HK\$'000   | E-Commerce<br>Group<br>HK\$'000 | Publishing<br>Group<br>HK\$'000 | Outdoor<br>Media<br>Group<br>HK\$'000 | Television<br>and<br>Entertainment<br>Group<br>HK\$'000 |                   |
| Segment assets                              | 2,155,261                       | 108,267                         | 1,261,489                       | 635,938                               | 191,519   | 4,352,474         |
| Interests in jointly<br>controlled entities | -                               | 6,679                           | -                               | -                                     | -   | 6,679             |
| Interests in<br>associated<br>companies     | 4,514                           | -                               | 216,563                         | -                                     | -   | 221,077           |
| Unallocated assets                          |                                 |                                 |                                 |                                       |   | 95,567            |
| Total assets                                |                                 |                                 |                                 |                                       |   | 4,675,797         |
| Segment liabilities                         | 278,109                         | 44,022                          | 356,298                         | 179,394                               | 65,506  | 923,329           |
| Unallocated liabilities:                    |                                 |                                 |                                 |                                       |   |                   |
| Corporate liabilities                       |                                 |                                 |                                 |                                       |   | 119,479           |
| Current taxation                            |                                 |                                 |                                 |                                       |   | 43,289            |
| Deferred taxation                           |                                 |                                 |                                 |                                       |   | 19,315            |
| Borrowings                                  |                                 |                                 |                                 |                                       |   | 2,217,100         |
| Total liabilities                           |                                 |                                 |                                 |                                       |   | 3,322,512         |

## 2 Turnover, revenue and segment information (continued)

The segment assets and liabilities at 31 December 2011 are as follows:

|   | Audited<br>As at 31 December 2011 |                                 |                                 |                                       |   |                   |
|---|-----------------------------------|---------------------------------|---------------------------------|---------------------------------------|---|-------------------|
|   | Internet<br>Group<br>HK\$'000     | E-Commerce<br>Group<br>HK\$'000 | Publishing<br>Group<br>HK\$'000 | Outdoor<br>Media<br>Group<br>HK\$'000 | Television<br>and<br>Entertainment<br>Group<br>HK\$'000 | Total<br>HK\$'000 |
| Segment assets                              | 2,275,238                         | 161,797                         | 1,275,856                       | 609,842                               | 201,293   | 4,524,026         |
| Interests in jointly<br>controlled entities | -                                 | (117,523)                       | -                               | -                                     | -   | (117,523)         |
| Interests in<br>associated<br>companies     | 4,609                             | -                               | 217,144                         | -                                     | -   | 221,753           |
| Unallocated assets                          |                                   |                                 |                                 |                                       |   | 103,798           |
| Total assets                                |                                   |                                 |                                 |                                       |   | <u>4,732,054</u>  |
| Segment liabilities                         | 329,799                           | 2,004                           | 415,226                         | 150,554                               | 71,802  | 969,385           |
| Unallocated liabilities:                    |                                   |                                 |                                 |                                       |   |                   |
| Corporate liabilities                       |                                   |                                 |                                 |                                       |   | 114,267           |
| Current taxation                            |                                   |                                 |                                 |                                       |   | 43,080            |
| Deferred taxation                           |                                   |                                 |                                 |                                       |   | 17,650            |
| Borrowings                                  |                                   |                                 |                                 |                                       |   | 2,131,898         |
| Total liabilities                           |                                   |                                 |                                 |                                       |   | <u>3,276,280</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.

### 3 Operating loss

Operating loss is stated after charging/crediting the following:

|   | Unaudited                |              |
|---|--------------------------|--------------|
|   | Six months ended 30 June |              |
|   | 2012                     | 2011         |
|   | HK\$'000                 | HK\$'000     |
| Charging:   |                          |              |
| Depreciation of fixed assets  | 28,238                   | 28,496       |
| Amortisation of other intangible assets   | 77,125                   | 71,892       |
| Amortisation of other intangible assets included in interests in associated companies | <u>1,356</u>             | <u>1,356</u> |
| Crediting:  |                          |              |
| Exchange gains, net   | 9,678                    | 653          |
| Gain on disposal of subsidiaries  | 3,745                    | -            |
| Dividend income from available-for-sale financial assets                              | 466                      | 6,153        |
| Gain on disposal of fixed assets  | <u>33</u>                | <u>183</u>   |

### 4 Finance costs, net

|  | Unaudited                |                |
|--|--------------------------|----------------|
|  | Six months ended 30 June |                |
|  | 2012                     | 2011           |
|  | HK\$'000                 | HK\$'000       |
| Interest and borrowing costs on bank loans | 32,625                   | 28,370         |
| Interest on other loans                    | <u>943</u>               | <u>924</u>     |
|  | 33,568                   | 29,294         |
| Less: Bank interest income                 | <u>(9,958)</u>           | <u>(8,437)</u> |
|  | <u>23,610</u>            | <u>20,857</u>  |

## 5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 |               |
|                                | 2012                     | 2011          |
|                                | HK\$'000                 | HK\$'000      |
| Overseas taxation              | 14,481                   | 19,679        |
| Under-provision in prior years | 2,103                    | 540           |
| Deferred taxation              | (70)                     | (2,887)       |
|                                | <u>16,514</u>            | <u>17,332</u> |
| Taxation charge                | <u>16,514</u>            | <u>17,332</u> |

## 6 Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2012 (2011: Nil).

## 7 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\$101,847,000 (2011: HK\$128,516,000) and the weighted average of 3,893,270,558 (2011: 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 2012 as the exercise price of the outstanding share options granted by the Company are higher than the average market price of the share of the Company (2011: Same).

## 8 Trade and other receivables

|   | Unaudited<br>30 June<br>2012<br>HK\$'000 | Audited<br>31 December<br>2011<br>HK\$'000 |
|---|--|--|
| Trade receivables                           | 552,683                                  | 552,983                                    |
| Prepayments, deposits and other receivables | 312,916                                  | 307,968                                    |
|   | <u>865,599</u>                           | <u>860,951</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 days 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<br>30 June<br>2012<br>HK\$'000 | Audited<br>31 December<br>2011<br>HK\$'000 |
|--------------------------------|--|--|
| Current                        | 125,880                                  | 195,782                                    |
| 31-60 days                     | 138,021                                  | 130,766                                    |
| 61-90 days                     | 98,405                                   | 81,572                                     |
| Over 90 days                   | 281,961                                  | 238,369                                    |
|                                | <u>644,267</u>                           | <u>646,489</u>                             |
| Less: Provision for impairment | (91,584)                                 | (93,506)                                   |
|                                | <u>552,683</u>                           | <u>552,983</u>                             |

## 9 Trade and other payables

|                             | Unaudited<br>30 June<br>2012<br>HK\$'000 | Audited<br>31 December<br>2011<br>HK\$'000 |
|-----------------------------|--|--|
| Trade payables              | 299,912                                  | 295,259                                    |
| Other payables and accruals | 709,274                                  | 753,102                                    |
|                             | <u>1,009,186</u>                         | <u>1,048,361</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<br>30 June<br>2012<br>HK\$'000 | Audited<br>31 December<br>2011<br>HK\$'000 |
|--------------|--|--|
| Current      | 91,552                                   | 116,215                                    |
| 31-60 days   | 58,957                                   | 35,846                                     |
| 61-90 days   | 18,761                                   | 31,576                                     |
| Over 90 days | 130,642                                  | 111,622                                    |
|              | <u>299,912</u>                           | <u>295,259</u>                             |

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Corporate Governance Code 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 2012.

## **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 2012.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the six months ended 30 June 2012, 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 2012 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 2012 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*

*Mr. Edmond Ip*

*Mrs. Angelina Lee*

*Independent Non-executive Directors:*

*Mr. Henry Cheong*

*Ms. Anna Wu*

*Mr. James Sha*

*Alternate Directors:*

*Mrs. Susan Chow*

*(Alternate to Mr. Frank Sixt)*

*Mr. Francis Meehan*

*(Alternate to each of Mr. Frank Sixt,*

*Ms. Debbie Chang and Mr. Edmond Ip)*