TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

HIGHLIGHTS

Key achievements for the first six months of 2004 include:

- Group revenue grew 31% over the same period last year
- EBITDA margin grew to 16% from 8% in the same period last year
- Year-on-year, all divisions except for Television and Entertainment registered revenue growth: TOM Online by 66%, Outdoor Media Group by 13%, Publishing Group by 23% and Sports Group by 110%
- Profit attributable to shareholders of HK$684 million was achieved, compared to the loss attributable to shareholders of HK$33 million in the same period last year

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 2004.

Key achievements for the first six months of 2004 include:

- Group revenue grew 31% over the same period last year
- EBITDA margin grew to 16% from 8% in the same period last year
- Year-on-year, all divisions except for Television and Entertainment registered revenue growth: TOM Online by 66%, Outdoor Media Group by 13%, Publishing Group by 23% and Sports Group by 110%
- Profit attributable to shareholders of HK$684 million was achieved, compared to the loss attributable to shareholders of HK$33 million in the same period last year

Financial Highlights

	For the six month period ended 30 June 2004 *HK$'000*	30 June 2003 *HK$'000*
Turnover	**1,198,375**	911,968
Operating profit/(loss)	**145,479**	(12,420)
Earnings before interest, taxation, depreciation and amortisation	**189,918**	75,820
Deemed disposal gain	**873,367**	–
Provision for impairment of assets	**(82,731)**	–
Provision for contracts termination	**(134,315)**	–
Provision for other receivables	**(22,476)**	–
Listing expenses for migration to Main Board of Stock Exchange	**(19,812)**	–
Profit/(loss) attributable to shareholders	**684,105**	(32,674)

Financial Performance

TOM Group delivered strong growth in the first half of 2004 over the corresponding period in 2003. Unaudited consolidated revenue amounted to HK$1.2 billion, an increase of 31% from HK$912 million during the same period last year. EBITDA was HK$190 million, representing a 2.5 times growth from HK$76 million in the same period last year. Profit attributable to shareholders amounted to HK$684 million, compared to an attributable loss of HK$33 million in the same period last year. These results include a deemed disposal gain of HK$873 million from the listing of TOM Online on the NASDAQ in the United States and GEM in Hong Kong on 10 and 11 March 2004 respectively. In the first quarter, the Group made provisions in relation to previously acquired businesses where performance has lagged management's expectations. In addition, CETV terminated an analogue transponder service contract in preparation for its migration to a digital transmission platform. These one-time provisions amounted to a total of HK$240 million. Further, these results also include the one-time listing expenses of HK$20 million. These are in relation to the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong by way of introduction.

TOM Online delivered strong results with revenue at approximately HK$443 million (US$56.8 million), an increase of 66% year-on-year, primarily due to the growth of its 2.5G products and services. Outdoor revenue was HK$159 million, a healthy 13% growth over the same period last year. Publishing revenue was HK$441 million, a 23% growth over the same period last year, due to increased marketing efforts and the contribution from the Taipei International Book Exhibition. Sports reported revenue of HK$127 million, registering a 110% increase over the same period last year, primarily due to the sales of television broadcasting rights and a general rebound from SARS in the first half of 2003. Revenue from CETV amounted to HK$11 million for the first six months of 2004.

First half year growth both in turnover and profitability is encouraging given that the first six months of the year are traditionally slower for advertising, which is a meaningful part of the Group's revenue base.

Business Review

TOM Online

TOM Online reported revenue of approximately HK$443 million (US$56.8 million) representing an increase of 66% over the same period last year, on a pro forma basis as set out in the financial statements of TOM Online. EBITDA was approximately HK$173 million (US$22.2 million), delivering over 2 times growth from the same period in 2003. Margins continued to expand, gross margin increased to 51% from 43% and EBITDA margin grew to 39% from 29% for the same period in 2003. Wireless internet revenues for the first six months of 2004 were approximately HK$411 million (US$52.7 million), representing an increase of 105% from the same period in 2003. Online advertising revenues for the first six months of 2004 were approximately HK$24 million (US$3.1 million), representing a 434% increase from the same period in 2003. The solid performance reflects the benefit from the diversification in wireless internet business. In the first six months of 2004, TOM Online has solidified a leading position in the wireless internet sector in Mainland China particularly in the important growth area of 2.5G ("WAP" and "MMS") products and services as well as IVR products. The increased popularity of the portal also brought about an expansion of client base for online advertising.

TOM Online has expanded its product portfolio through strategic alliances with premium content providers as well as distribution partners and hence further enhanced its position as a wireless internet operator. TOM Mobile Music was launched together with international and domestic record labels and music publishers providing users compelling music content across its 2.5G and IVR product platforms. The content, some of which is proprietary to TOM Online, includes music premiers, ring back tones, voice greetings, image downloads and music video clip downloads. In the field of sports, an exclusive alliance was entered with the Union of European Football Associations ("UEFA"), which brought the UEFA Euro Cup 2004 to wireless internet users in Mainland China. The popularity of TOM Online's portal continued to improve as a result of increased premium content. Whilst focusing on building the portal's sports and entertainment related content channels, TOM Online built and hosted the official Chinese language website for UEFA Euro Cup 2004, catering to football fans all across Mainland China. The portal offering was further enhanced by launching a Map Channel, Weather Channel, DTM Auto Racing official Chinese language website and upgraded Avatar, a virtual community product.

The solid financial performance reflects TOM Online's consistent focus on customer acquisition and retention. Content differentiation, product innovation and distribution expansion has enabled TOM Online to maintain first mover advantage in several key areas, in particular 2.5G services.

Outdoor Media Group

The Outdoor Media Group reported revenue of HK$159 million and EBITDA of HK$39 million in the first six months of 2004, compared to HK$141 million and HK$37 million in the same period of last year. Gross margin and EBITDA margin were at 34% and 24%, down slightly from 39% and 26% respectively in the same period last year. The decline was primarily due to the increased level of media buying from third parties in the top tier cities.

During the quarter, the Outdoor Media Group continued to attain quality and strategically located outdoor media assets. Assets that are located in high traffic volume areas or are positioned to capture maximum attention were selected and the total area of outdoor assets increased to approximately 260,000 square meters as of 30 June 2004. Approximately 80% of assets were in the unipole and billboard categories and the rest in transport, street furniture and others. New concessions obtained in the first half of the year included approximately 24,000 square meters of outdoor asset space, in key locations across seven provinces of Fujian, Guangdong, Liaoning, Shangdong, Shanghai, Sichuan and Yunnan. The new capacity increase was primarily in the billboard and unipole category. In Shanghai, the Outdoor Media Group secured exclusive concession rights to one billboard and eighteen unipoles along the highway to Shanghai Pudong International Airport. Other concessions secured included the three largest billboards in Guangzhou.

As a pioneer in creative outdoor advertising designs, the Outdoor Media Group has won a number of awards for outdoor designs around the country capturing attention of major advertisers. These included the China Outdoor Silver Award, The Top Ten Advertising Awards and The China Advertising and Marketing Award. The Group monitors the latest developments in outdoor advertising worldwide and has brought many creative outdoor advertising designs to Mainland China. For example, the Outdoor Media Group was the first to pioneer glass wall building-wrap signage in Dailian, Shanghai and Shenyang. Average occupancy rate was consistently over 80%, reflecting the increasing demand of the Outdoor Media Group's high quality outdoor media assets.

Overall, the Outdoor Media Group secured new sales contracts amounting to approximately HK$100 million in the second quarter, with an average term of one year. New major clients in the quarter included Kia, Konka, Founder, Futian Auto among a number of international and local companies, with the largest contract worth over HK$20 million being secured with a large domestic advertising company, to provide nationwide services. Presence in the three cities of Beijing, Shanghai and Guangzhou continued to expand and contracts amounted to approximately HK$50 million were secured during the second quarter.

Publishing

The Publishing Group reported revenue of HK$441 million and EBITDA of HK$57 million in the first six months of 2004, a 23% growth and 115% growth respectively over HK$360 million and HK$26 million in the same period in 2003. Gross margin was maintained at 46% with EBITDA margin expanded to 13%, from 7% in the same period last year.

On 5 July, the Publishing Group announced the successful set up of a joint venture company, China Popular Computer Week Management Company Limited. TOM Group will have an effective interest of approximately 49% in the joint venture and will have exclusive sales and distribution rights of the weekly computer periodical *Popular Computer Weekly*, including *Popular Computer Weekly Bound Volume*, *Popular Computer Weekly CD-ROM* and other writings and electronic publications related to *Popular Computer Weekly*. The joint venture also has an exclusive advertising agency right in respect of all advertisements contained in the above publications. With the establishment of this joint venture, TOM Group will be able to substantially increase its presence in Mainland China publishing, in particular in the area of information technology-related publications. The establishment of the joint venture will also allow the wide range of off-line content produced by the joint venture partner to be distributed through TOM Online, thus increasing TOM Group's overall market competitiveness.

In Taiwan, new distribution channels are being explored. Discussions have been held with television shopping channels to market the Publishing Group's books and magazines in and outside of Taiwan. Co-operation opportunities are being explored to expand distribution channels into North America, through a network managed by a Taiwanese cable operator. Further, a new Cité bookstore was opened in June in the same premise as the new head offices at Mingsheng Road East in Taipei. This is our flagship store, offering a complete collection of publications and creating new book-café lifestyle store experience. During the second quarter, a total of 6 new magazines in the computer related and lifestyle genres, and over 400 new books were published in Taiwan. A further 61 titles, including a variety of topics in fiction, education, children's books, lifestyle and health genres were licensed for local production by Mainland China publishers.

Business Weekly won a number of exclusive awards from the Society of Publishers in Asia, reflecting the outstanding professionalism and quality content of the magazine. The awards included a title award of "*Excellence in Magazine*", "*Excellence in Feature Writing*" and "*Excellence in Business Reporting*".

Sports

The Sports Group reported revenue of HK$127 million and EBITDA of HK$19 million in the first six months of 2004, a 110% increase compared to HK$60 million of revenue and a 14 times growth compared to HK$1.3 million of EBITDA in the same period in 2003. The improvement in 2004 is primarily due to the pick up of the number of events held in the first six months and in particular the sale of the UEFA Euro 2004 Football exclusive broadcasting right to CCTV. Gross margin and EBITDA margin also improved, delivering a gross margin of 23% compared to last year's 18% and an EBITDA margin of 15%, compared to 2% last year.

Management is continuing its preparation for the upcoming China Open tennis tournament in September. A landmark deal was sealed where the exclusive broadcasting rights for China Open were awarded to CCTV, comprising 150 hours of tennis matches to be broadcasted across Mainland China, a record breaking first. Major sponsors include Avon, Coca Cola, CCTV, Lacoste, Rado and Sohu. A second press conference was held in Beijing to further promote the event. Ticketing agents were appointed and an official website was launched, with tickets going on sale 28 July. The China Open will be held from 10 to 26 September in Beijing and will be the first ever international tennis event to be held in the city that encompasses both men and women matches. Top international players such as Wimbledon champion Maria Sharapova, Wimbledon runner-up Serena Williams, and leading men's seeds Carlos Moya, Marat Safin, Juan Carlos Ferrero have signed up for the tournament.

Events held in the first quarter included the exhibition matches for the National Women Volleyball Team, National Table Tennis Team and the 4th annual Vinda National Bowling Championship. In the second quarter, events included the Champions Diving Tour, which featured members from the National Diving Team. The first stop was held in April at Zhuhai with the second in June at Shanghai, the finals will be held in Guangzhou, after the Olympics. Key sponsors included Ford and Nokia. For Nokia in particular, press events were organized in Shanghai to further enhance brand awareness, at a handset giveaway ceremony each member of the National Diving Team was presented with a Nokia mobile phone to stay connected while they are abroad competing at the Olympics. For Amway, the official nutritional food sponsor for the China Olympics team, sports carnivals were organized around the Amway Marathon, which is being held throughout nine cities across Mainland China. Other events held in the second quarter included the Philips University Football League, with 400 teams competing in matches held across 31 cities in Mainland China.

Television & Entertainment

The Television and Entertainment Group reported revenue of HK$11 million and EBITDA loss of HK$33 million for the first half of the year, compared to revenue of HK$86 million and EBITDA of HK$8 million in the same period of 2003. The results of the first six months of 2004 comprised only of the operating results of CETV whereas the results of the same period of 2003 reflected only the audio and video products distribution business of Hong Xiang. The Group has excluded the results of Hong Xiang since the first quarter of this year. Results of CETV in the first six months of 2004 continued to improve, with healthy top line growth and narrowing losses. On a quarterly basis, CETV's revenue of the second quarter of 2004 was HK$7.4 million, an 82% increase over HK$4 million in the first quarter, reflecting the continued growth of CETV's popularity. New key advertisers included Coca Cola, Johnson & Johnson and Kao. Costs continued to be monitored and operating costs have significantly improved due to the new digital service contract. With the termination of the analogue transponder agreement in the first quarter, the new digital distribution and transmission platform is commanding a much lower transponder rental cost, resulting in savings of approximately HK$6 million in the second quarter over the first quarter. Savings for the nine months in 2004 is estimated to be approximately HK$18 million. Net loss of CETV is now at HK$21 million for the second quarter, compared to a net loss in the first quarter of approximately HK$25 million, excluding the one-off analogue transponder termination charge of HK$109 million in the first quarter of the year.

In the second quarter, Mr. Ivan Yuan was appointed as the Chief Executive Officer of CETV. Mr. Yuan is a veteran television professional and was the general manager of Star TV in Taiwan. Mr. Yuan brings with him over 15 years of in-depth industry knowledge and expertise in the entertainment field.

CETV has pioneered a number of new programmes in the first six months of 2004, including a number of top rated programmes such as *Co Co Cooks*, *The Winds of Change III* and *The Scent of Women*, a pioneer talk show with three female hosts from Mainland China, Taiwan and Hong Kong. In May, the channel produced *I am China's Star*, a talent quest competition held over the seven-day Mainland Labour holiday in the beginning of May at Shenzhen's Windows of the World. Guangdong Huanan Pharmacy Limited, a major pharmaceutical manufacturer in China was secured as the exclusive title sponsor to the programme. CETV and TOM Online jointly set up SMS interactive voting for audiences of *I am China's Star* to apply to take part in the contest as well as to vote for their favorite talent. Similar SMS interactivity has been created for popular programmes such as the hit idol drama series *The Outsiders* and *Inside Entertainment*, attracting thousands of viewers to participate via their mobile phones as part of the programme.

The channel's ranking and ratings continued to improve. In the second quarter, CETV ranked number two in Guangzhou among all Putonghua channels. The Monthly Final of *I am China's Star* ranked number six in all programs in Guangzhou and the June version of the *Movie Zone* ranked as high as number two in all programs in Guangzhou. *Jacky Go Go Go* consistently ranked number six for the first half of the year.

Business Outlook

On 4 August 2004, TOM Group's shares were listed on the Main Board of the Stock Exchange by way of introduction. TOM Group is now an established media company with strong positions in each of its segments of Internet, Outdoor, Publishing, Sports and Television & Entertainment. The listing is a reflection of the organization's true size and scale and will be beneficial to the future growth, financing capabilities and business development of TOM Group.

For the second half of the year, TOM Online will continue to focus on developing and marketing 2.5G and IVR products and services, while exploring acquisition and sector consolidation opportunities in the market. The Outdoor Media Group will continue to build its presence in the top tier cities of Beijing, Shanghai and Guangzhou, with selective acquisitions of media assets and concessions. In Publishing, a number of options are being evaluated with respect to entry into the Mainland China distribution sector. In Sports, the China Open, to be held in mid-September, will become a significant annual event within Mainland China and the Group will continue to work with multinational companies to develop the Mainland China sports market. For CETV, emphasis will be to continue to drive for revenue growth and loss reduction. Relocation and restructuring of the channel will rationalize the current cost structure. Channel rebranding and repositioning will materialize in the second half of the year.

We are pleased to announce the appointment of Mr Ekkehard Rathgeber as the Chief Operating Officer of TOM Group and Chief Executive Officer of TOM Publishing China. Mr. Rathgeber will become an integral part of TOM Group's senior management team and will spearhead and reinforce the development of the Group's publishing business in China.

We would like to take this opportunity to show gratitude to our valued employees, customers, shareholders and business partners. We remain committed to further grow and strengthen our businesses and maximize the value of the Company for our shareholders.

Frank Sixt
Chairman

Hong Kong, 12 August 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2004, TOM Group's bank and cash balance was at HK$1,088 million. On 10 and 11 March 2004, TOM Online, a subsidiary of the Company, was spin-off and listed on NASDAQ in the United States and GEM in Hong Kong, respectively by issuing 1,000,000,000 shares in total at HK$1.50 each, raising net proceeds of approximately HK$1,334 million. During the first six months of the year, TOM Group utilized HK$1,109 million to finance its operations and investing projects, including purchase of debt securities.

TOM Group had bank and other borrowings totaling HK$2,063 million and cash-to-borrowing ratio was 53% as at 30 June 2004.

As mentioned in the Listing Document of the Company dated 29 June 2004, the Group has determined to fully repay the shareholders' loans of HK$850 million to its substantial shareholders prior to 4 August 2004, the date on which the listing of the Company's shares migrates to the Main Board of the Stock Exchange. On 29 July 2004, TOM Group fully repaid the shareholders' loans by drawn down of a secured bank loan of the same amount.

Capital Structure

During the first six months of the year, the Company issued 11,151,548 new shares of par value of HK$0.1 each, allotted and booked at HK$1.42 per share, which are the fair value calculated based on the closing price quoted on the Stock Exchange at the date of acquisition as part of the consideration for acquisitions of subsidiaries.

Charges on Group Assets

Certain Group assets are pledged to banks and financial institutions as security for general banking facilities granted to TOM Group. As at 30 June 2004, the pledged assets of TOM Group included bank deposits, cash and other assets totaling HK$18 million. As mentioned above, the Group fully repaid the shareholders' loans of HK$850 million by way of utilisation of a secured bank loan on 29 July 2004, debt securities at face value of approximately HK$936 million were pledged to a bank for obtaining this banking facility.

Foreign Exchange Exposure

It is TOM Group's policy for each operating entity to borrow in local currencies, where necessary, in order to minimize currency risk.

Contingent Liabilities

Contingent liabilities amounted to approximately HK$9 million as at 30 June 2004.

Employee Information

As at 30 June 2004, TOM Group had 2,757 full-time employees. During the first six months of the year, employee costs, excluding Directors' emoluments, totaled HK$221 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2003.

UNAUDITED CONSOLIDATED RESULTS

For the six months ended 30 June 2004

		Three months ended 30 June		Six months ended 30 June	
			As restated		As restated
	Note	**2004** *HK$'000*	2003 *HK$'000*	**2004** *HK$'000*	2003 *HK$'000*
Turnover	2	**683,841**	483,674	**1,198,375**	911,968
Cost of sales	2	**(395,017)**	(278,987)	**(677,533)**	(555,062)
Interest income		**21,087**	588	**37,059**	1,214
Selling and marketing expenses		**(67,556)**	(43,708)	**(120,351)**	(87,983)
Administrative expenses		**(46,126)**	(55,336)	**(107,448)**	(102,735)
Other operating expenses		**(86,812)**	(86,972)	**(184,623)**	(179,822)
Operating profit/(loss)		**109,417**	19,259	**145,479**	(12,420)
Finance costs		**(7,801)**	(4,631)	**(15,369)**	(9,611)
Deemed disposal gain	4	**–**	–	**873,367**	–
Provision for impairment of assets	5	**–**	–	**(82,731)**	–
Provision for contracts termination	6	**–**	–	**(134,315)**	–
Provision for other receivables		**–**	–	**(22,476)**	–
Listing expenses for migration to Main Board of Stock Exchange		**(19,812)**	–	**(19,812)**	–
Share of losses of jointly controlled entities		**(51)**	(2,400)	**(346)**	(4,998)
Share of profits less losses of associated companies		**733**	424	**853**	732
Profit/(loss) before taxation		**82,486**	12,652	**744,650**	(26,297)
Taxation	8	**(13,881)**	2,072	**(23,272)**	(1,854)
Profit/(loss) after taxation		**68,605**	14,724	**721,378**	(28,151)
Minority interests		**(38,393)**	(4,541)	**(37,273)**	(4,523)
Profit/(loss) attributable to shareholders		**30,212**	10,183	**684,105**	(32,674)
Earnings/(loss) per share	9				
Basic		**HK0.78 cent**	HK0.30 cent	**HK17.62 cents**	HK(0.98) cent
Diluted		**N/A**	HK0.30 cent	**HK16.38 cents**	N/A

Notes:

1. **Basis of preparation of the accounts**
   The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

2. **Restatement of turnover and cost of sales**
   The Group's wireless value-added services are delivered to users through the wireless data platforms of the mobile telecommunications operators pursuant to revenue sharing agreements. In prior years, the Group reported these wireless value-added services revenues net of the revenues shared with the mobile telecommunications operators. In 2003, the Directors are of the opinion that it is more appropriate to adopt the gross basis of recognition of wireless value-added services revenues commencing from 1 January 2003. This change in recognition basis has no overall effect on the Group's results. To facilitate better comparison of year-on-year results, both turnover and cost of sales for the three months and six months ended 30 June 2003 have been restated and increased by HK$28,136,000 and HK$45,026,000, respectively.

3. **Segment Reporting**
   An analysis of the Group's turnover and results for the period by business segments is as follows:

Six months ended 30 June 2004

	Internet Group *HK$'000*	**Outdoor Media Group** *HK$'000*	**Publishing Group** *HK$'000*	**Sports Group** *HK$'000*	**Television and Entertain-ment Group** *HK$'000*	**Group** *HK$'000*
Turnover	**458,732**	**159,460**	**441,452**	**127,333**	**11,398**	**1,198,375**
Segment profit/(loss) before amortisation and depreciation	**181,778**	**38,582**	**55,929**	**19,274**	**(32,771)**	**262,792**
Amortisation and depreciation	**(22,437)**	**(17,964)**	**(21,708)**	**(2,443)**	**(12,103)**	**(76,655)**
Segment profit/(loss)	**159,341**	**20,618**	**34,221**	**16,831**	**(44,874)**	**186,137**
Unallocated costs						**(40,658)**
Operating profit						**145,479**
Finance costs						**(15,369)**
Deemed disposal gain	**873,367**	**–**	**–**	**–**	**–**	**873,367**
Provision for impairment of assets	**(23,752)**	**(12,141)**	**–**	**–**	**(46,838)**	**(82,731)**
Provision for contracts termination	**–**	**(25,600)**	**–**	**–**	**(108,715)**	**(134,315)**
Provision for other receivables	**–**	**(17,831)**	**–**	**–**	**(4,645)**	**(22,476)**
Listing expenses for migration to Main Board of Stock Exchange						**(19,812)**
Share of losses of jointly controlled entities	**(346)**	**–**	**–**	**–**	**–**	**(346)**
Share of profits of associated companies	**87**	**–**	**766**	**–**	**–**	**853**
Profit before taxation						**744,650**
Taxation						**(23,272)**
Profit after taxation						**721,378**
Minority interests						**(37,273)**
Profit attributable to shareholders						**684,105**

Six months ended 30 June 2003

	Internet Group *HK$'000*	Outdoor Media Group *HK$'000*	Publishing Group *HK$'000*	Sports Group *HK$'000*	Television and Entertain-ment Group *HK$'000*	Group *HK$'000*
Turnover (As restated, Note 2)	263,544	141,455	360,237	60,349	86,383	911,968
Segment profit before amortisation and depreciation	74,324	36,855	25,533	1,331	7,847	145,890
Amortisation and depreciation	(29,885)	(21,206)	(19,599)	(1,859)	(10,883)	(83,432)
Segment profit/(loss)	44,439	15,649	5,934	(528)	(3,036)	62,458
Unallocated costs						(74,878)
Operating loss						(12,420)
Finance costs						(9,611)
Share of losses of jointly controlled entities	(4,998)	–	–	–	–	(4,998)
Share of profits less losses of associated companies	(69)	–	801	–	–	732
Loss before taxation						(26,297)
Taxation						(1,854)
Loss after taxation						(28,151)
Minority interests						(4,523)
Loss attributable to shareholders						(32,674)

There are no significant sales or other transactions between the business segments.

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover Six months ended 30 June		**Segment profit/(loss) Six months ended 30 June**	
		As restated		
	2004 *HK$'000*	2003 *HK$'000*	**2004** *HK$'000*	2003 *HK$'000*
Hong Kong	**50,616**	37,346	**(4,866)**	(19,338)
Mainland China	**738,089**	539,507	**199,850**	125,003
Taiwan	**409,670**	335,115	**67,808**	40,225
	1,198,375	911,968	**262,792**	145,890
Amortisation and depreciation			**(76,655)**	(83,432)
Unallocated costs			**(40,658)**	(74,878)
Operating profit/(loss)			**145,479**	(12,420)

There are no significant sales between the geographical segments.

4. **Deemed disposal gain**
   On 10 March and 11 March 2004, the shares of TOM Online, previously a wholly-owned subsidiary of the Company, were listed and traded on the NASDAQ in the United States and GEM in Hong Kong (the "Global Offering"). As a result of the Global Offering, the Company's shareholding in TOM Online has been diluted to 71.86%, which resulted in a gain of HK$873,367,000 arising from this deemed disposal.

5. **Provision for impairment of assets**
   This represents provision for impairment of fixed assets and goodwill as a result of certain internal restructuring initiatives in connection with the Group's operations. Among which, a provision of approximately HK$47 million has been made for impairment of goodwill arising from the acquisition of a subsidiary engaged in the audio and video products distribution business.

   In addition, the subsidiary has been excluded from consolidation since 1 January 2004 as the Group has ceased to have the ability to control or significantly influence the subsidiary's operations.

6. **Provision for contracts termination**
   In preparation for digitalising CETV's transmission and distribution platform later in the year, CETV entered into a digital service contract in March 2004. Included in the provision for contracts termination is a one-time charge of approximately HK$109 million for the early termination of CETV's analogue transponder agreement.

7. **Acquisition of Puccini and its subsidiaries ("Puccini Group")**
   As the consideration for the acquisition of Puccini is contingent on the audited consolidated net profit of the Puccini Group for the year ending 31 December 2004, the Group has not recorded any consideration as cost of investments as of 30 June 2004 and therefore, no goodwill amortisation expenses in relation to the foresaid acquisition has been charged to the consolidated profit and loss account for the three months and six months ended 30 June 2004.

   In accordance with the sale and purchase agreement, the consideration for the acquisition of Puccini, when finalised, will be paid partly in cash and partly by way of issuance and allotment of TOM Online shares (the "TOM Online Shares"). The issuance of TOM Online shares will result in a dilution of the Company's shareholding in TOM Online. The effect of the dilution will be accounted for when the TOM Online shares are issued.

8. **Taxation**
   Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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/(credited) to the consolidated profit and loss account represents:

	Three months ended 30 June		**Six months ended 30 June**	
	2004 *HK$'000*	2003 *HK$'000*	**2004** *HK$'000*	2003 *HK$'000*
Hong Kong profits tax	**1**	–	**101**	–
Overseas taxation	**18,786**	8,765	**27,277**	11,680
Under/(over)-provision in prior years	**769**	(1,637)	**769**	(1,637)
Deferred taxation	**(5,675)**	(9,200)	**(4,875)**	(8,189)
	13,881	(2,072)	**23,272**	1,854

9. **Earnings/(loss) per share**
   (a) **Basic**
   The calculation of the basic earnings/(loss) per share for the three months and six months ended 30 June 2004 is based on the respective unaudited consolidated profit attributable to shareholders of HK$30,212,000 and HK$684,105,000 (2003: HK$10,183,000 and loss of HK$32,674,000) and the weighted average of 3,887,207,564 and 3,882,734,691 (2003: 3,339,621,837 and 3,335,208,470) ordinary shares in issue during the respective periods.

   (b) **Diluted**
   No diluted earnings per share is presented for the three months ended 30 June 2004 as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of shares of the Company and the conversion of the convertibles bonds would have an anti-dilutive effect during the period.

   The calculation of diluted earnings per share for the six months ended 30 June 2004 is based on the unaudited adjusted consolidated profit attributable to shareholders of HK$694,329,000, after adding back the borrowing costs of the convertibles bonds, and the weighted average of 4,237,629,238 ordinary shares issued and issuable, after adjusting for the effects of all dilutive potential shares, as if all the outstanding share options and convertible bonds issued by the Group had been exercised and converted into ordinary shares at the date of issuance.

   The calculation of the diluted earnings per share for the three months ended 30 June 2003 is based on the unaudited consolidated profit attributable to shareholders of HK$10,183,000 and the weighted average of 3,401,368,137 ordinary shares, after adjusting the effects of all dilutive potential ordinary shares, as if all the outstanding share options and consideration shares for acquisition of subsidiaries had been exercised and issued by the Company at the date of issuance.

   The exercise of share options granted and the issuance of consideration shares by the Company would have an anti-dilutive effect on the loss per share for the six months ended 30 June 2003.

10. **Dividends**
    No dividend had been paid or declared by the Company during the period (2003: Nil).

11. **Movement of reserves**

	Share premium account *HK$'000*	**Capital reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**General reserve** *HK$'000*	**Exchange difference** *HK$'000*	**Accumu-lated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2003	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	90,570	–	–	–	–	–	90,570
Loss for the period	–	–	–	–	–	(32,674)	(32,674)
Transfer to general reserve	–	–	–	15,285	–	(15,285)	–
Exchange difference	–	–	–	–	683	–	683
At 30 June 2003	2,424,486	(377)	776	15,628	(119)	(2,436,503)	3,891

	Share premium account *HK$'000*	**Capital reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**General reserve** *HK$'000*	**Revaluation reserve** *HK$'000*	**Exchange difference** *HK$'000*	**Accumul-ated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2004	3,605,986	(377)	776	15,579	5,610	1,206	(2,391,147)	1,237,633
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	14,720	–	–	–	–	–	–	14,720
Investment revaluation deficit	–	–	–	–	(46,996)	–	–	(46,996)
Profit for the period	–	–	–	–	–	–	684,105	684,105
Transfer to general reserve	–	–	–	63,235	–	–	(63,235)	–
Exchange difference	–	–	–	49	(44)	(227)	–	(222)
At 30 June 2004	3,620,706	(377)	776	78,863	(41,430)	979	(1,770,277)	1,889,240

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and Hutchison Global Communications Holdings Limited ("HGCH") and directors of certain of their respective Associates (collectively referred to in this paragraph as "HWL Group", "CKI Group" and "HGCH Group" respectively). Mr. Frank Sixt is also a non-executive director of CKH and director of certain of its Associates (collectively referred to as "CKH Group"). Mr. Edmond Ip, a non-executive Director, is an executive director of CKH and a director of certain of its Associates. HWL Group is engaged in e-commerce and general information portals, event production, broadband content, sports-related content, event management and advertising and outdoor media. Both the CKH Group and the CKI Group are engaged in information technology, e-commerce and new technology. HGCH Group is engaged in systems integration and development of software and computer network systems. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Mr. Sing Wang, an executive Director and Chief Executive Officer of the Company, holds 4.55% of the equity interests in 北京雅寶在線拍賣有限公司 ("Yabuy Online") whose main business consists of the operation of yabuy.com, an online auction website in the PRC. The Directors believe that there is a risk that the business of Yabuy Online may compete with those of the Group.

Ms. Tommei Tong, an executive Director and Chief Financial Officer of the Company, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited ("Qin Jia Yuan") whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Ms. Debbie Chang, a non-executive Director, is a director of Beijing ChinaCare e-Med Limited ("ChinaCare") whose main business consists of healthcare related information technology, information and consulting services. ChinaCare had entered into a content provision agreement with Beijing Leitingwuji Network Technology Company Limited ("LTWJi"). The directors of the Company are of the view that the provisions of IVR-related content by ChinaCare to LTWJi under the agreement is complementary to, and not in competition with, the business of provision of IVR services by LTWJi. The provision of IVR-related content by ChinaCare will only be in competition with LTWJi's business if ChinaCare provides such content to other IVR services providers in the PRC. In this regard, Cranwood has undertaken, inter alia, to the Company that companies controlled by Cranwood will not in the PRC provide IVR-related content to the competitors of the Group.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2004, the Company has complied with Board Practices and Procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DEFINITIONS

"Associates"	means the same definition as described under the GEM Listing Rules
"CETV"	means China Entertainment Television Broadcast Limited
"CKH"	means Cheung Kong (Holdings) Limited
"Cranwood"	means Cranwood Company Limited
"Directors"	means the directors of TOM Group Limited
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on GEM
"HWL"	means Hutchison Whampoa Limited
"Mainland China" or "PRC"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"NASDAQ"	means National Market of National Automated Systems Dealership and Quotation
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"TOM Online"	means TOM Online Inc.

As at the date hereof, Mr. Frank Sixt (Chairman), Ms. Debbie Chang, Mrs. Susan Chow, Mr. Edmond Ip, Mrs. Angelina Lee, Mr. Holger Kluge and Mr. Wang Lei Lei are non-executive Directors; Mr. Sing Wang and Ms. Tommei Tong are executive Directors; and Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha are the independent non-executive Directors.

This announcement will remain on the website of the Company at www.tomgroup.com.

* *for identification purpose*