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 2005

HIGHLIGHTS

For the six months ended 30 June 2005:

- Group revenues were HK$1,416 million, an increase of 18% over the same period last year
- EBITDA was HK$178 million, an increase of 11%
- Profit attributable to shareholders was HK$169 million
- Earnings per share was HK4.35 cents

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 2005.

For the six months ended 30 June 2005:

- Group revenues were HK$1,416 million, an increase of 18% over the same period last year
- EBITDA was HK$178 million, an increase of 11%
- Profit attributable to shareholders was HK$169 million
- Earnings per share was HK4.35 cents

FINANCIAL HIGHLIGHTS

	For the six months period ended	
	30 June 2005	30 June 2004#
	HK$'000	*HK$'000*
Turnover	**1,415,747**	1,198,375
Earnings before interest, taxation, depreciation and amortization ("EBITDA")*	**177,593**	160,005
One-time non-recurring items before minority interests	**128,364**	614,033
Profit attributable to shareholders	**169,348**	683,478
Basic earnings per share (HK cents)	**4.35**	17.6

* EBITDA refers to earnings before interest, taxation, depreciation, amortization and other one-time expenses. For the six months ended 30 June 2005, EBITDA is derived by excluding net gain on deemed disposals of interests in subsidiaries and provision for receivables, net, totaling HK$128,364,000. For the six months ended 30 June 2004, EBITDA is derived by excluding one-time gains/expenses totaling HK$614,033,000.

\# The financial information of the Group for the six months ended 30 June 2004 has been restated due to the adoption of certain new accounting standards effective to the Group since 1 January 2005.

FINANCIAL PERFORMANCE

In the first half of 2005, the TOM Group achieved revenue of HK$1,416 million, an increase of 18% compared to the same period last year. Group EBITDA increased 11% to HK$178 million, while profit attributable to shareholders was HK$169 million, compared to HK$683 million in the first half of 2004 which included the one-time non-recurring items, net of minority interests, of HK$626 million mainly contributed by the spin-off of TOM Online Inc. ("TOM Online") or ("TOMO").

The Internet Group recorded revenues of HK$621 million, an increase of 35% from the first half of 2004. Segment profit was HK$136 million, compared to the same period last year of HK$138 million. The Outdoor Media Group reported revenues of HK$184 million, an increase of 15% compared to HK$159 million in the first half of 2004, segment profit was HK$23 million compared to HK$26 million in the same period last year. Revenue of the Publishing Group grew by 16% to HK$512 million, compared to HK$441 million in the same period last year; segment profit was HK$63 million, compared to HK$50 million in the first half of 2004. The TV and Entertainment Group reported revenue of HK$32 million, compared to HK$11 million in the same period last year, representing a growth of 185%; segment loss of the group reduced from HK$43 million in the first half of 2004 to HK$37 million.

Unfortunately, the Group's results for the first half of this year were adversely impacted by the under-performance of the Sports Group, which was the only one of the Group's divisions not to record revenue growth for the first half due to a major restructuring of the division undertaken during the period. The Sports Group recorded a decline of 49% in revenue to HK$66 million as compared to the first half of 2004; a segment loss of HK$9 million compared to a profit of HK$20 million in the first half of last year.

BUSINESS REVIEW

Internet

The Internet Group delivered revenues of HK$621 million, a 35% increase from the same period last year. EBITDA for the first half of 2005 was HK$149 million, a drop of 2% compared to HK$151 million in the same period last year. Segment profit was HK$136 million, compared to HK$138 million in the same period last year.

Wireless Internet service revenues of TOMO, including the first full quarter consolidated of Indiagames Limited, were approximately HK$575 million in the first half of 2005, an increase of 40% from the same period last year, and accounting for 94% of its total revenues. Online advertising revenues were approximately HK$27 million, up 9% from the same period last year.

TOMO's SMS ("Short Messaging Service") revenues in the period were HK$218 million and made up 38% of total wireless Internet revenues. The growth was driven by continued distribution channel and product development activities. Revenues of MMS ("Multi-media Messaging Service") and WAP ("Wireless Application Protocol") accounted for 6% and 21% respectively of total wireless Internet revenues for the first six months of 2005, a rebound was seen in MMS business after the migration to the new MISC platform in the first quarter of the year, while IVR ("Interactive Voice Response") and CRBT ("Color Ring Back Tone") made up 25% and 8% respectively of TOMO's total wireless Internet revenues.

During the period, TOMO maintained its focus on being the leading wireless Internet Company in China by continuing to innovate new products and market core wireless related products such as 2.5G services and IVR services; strengthen partnership with traditional media/content partners with increasing initiatives and adoption of entertainment and music related content on the WAP, MMS and CRBT. In order to prepare itself for new technologies and opportunities in 2.75G/3G, TOMO has recently announced alliance with TCL Mobile and Warner Bros Online.

TOMO's partnership with Skype continues to progress well and has recorded a steady increase in TOM-Skype users as well as a positive impact on overall portal traffic and usage.

Outdoor

The Outdoor Media Group ("OMG") in the first half of 2005 reported revenues of HK$184 million in a competitive operating environment, representing an increase of 15% compared to the same period last year. During the period, Beijing TOM International Advertising Limited ("Beijing TOM"), a subsidiary of OMG, incurred a one-time loss of HK$5 million due to operations inefficiency and was restructured as a result. EBITDA declined by 8% to HK$36 million as compared to HK$39 million in the first half of 2004. Segment profit of the group was HK$23 million compared to HK$26 million in the same period last year.

For the first six months of 2005, revenues of the outdoor media rental businesses accounted for 69% of OMG's total revenues, with the balance coming primarily from cross-media businesses. Revenues of the self-owned and leased billboards and unipoles made up 52% of the total outdoor media revenues compared to 43% in the same period last year; while media buying made up 27% of the total outdoor media revenues compared to 34% in the first half of 2004. Profit margin of media buying business for the half dropped to 5% compared to 16% in the same period last year primarily impacted by the weak performance of Beijing TOM, and exerted pressure on the group's margin as well. Excluding Beijing TOM, profit margin of media buying in the first half of 2005 was 20%.

Average selling prices of OMG in the first tier cities of Mainland China managed to increase 5% to 8% in the first half of 2005, while pricing in the second and third tier cities increased 8% to 10%. As of 30 June 2005, the total media capacity of OMG was approximately 300,000 square meters, with 80% of the assets in the unipole and billboard categories and the rest in transport, street furniture and other categories. Occupancy rate was maintained at over 80%. New major clients in the first half of 2005 included NEC, Nokia, Samsung and General Motors.

The re-branding of TOM Outdoor Media Group was formally completed in the first half of 2005. Under "TOM Outdoor", the branding of 14 units within the group was unified and their local mark will become a sub-brand. With the 14 units now sharing the same platform and system, enhancement in internal management and control is expected.

Publishing

The Publishing Group recorded revenue growth of 16% for the first six months of 2005 to HK$512 million in revenues. During the period, revenues from Taiwan accounted for over 93% of the total, with the rest contributed by the Hong Kong and China operations, while the revenues of the China joint ventures were not reflected in the consolidated revenue of the group. Advertising accounted for 30% of the total revenues, while books and magazines sales accounted for 40% and 27% respectively. Segment profit of the Publishing Group increased by 28% to HK$63 million, compared to HK$50 million in the same period last year. EBITDA of the Publishing Group increased by 38% to HK$78 million compared to HK$57 million in the first half of 2004.

In the first half of 2005, three new magazines and over 1,000 new books were published. The total number of advertising pages was over 11,000 pages compared to approximately 8,900 pages in the first half of last year.

In July, following the retirement of Mr. Jan Hung-tze, Mr. James Jin, Mr. Ho Fei Peng and Mr. James Yang were appointed as the new Chairman, Chief Executive Officer and Chief Operating Officer respectively. Mr. Jin, has over 28 years of experience in the media industry, was and is still the Chairman of the Business Weekly Media Group. Mr. Ho, one of the founders of Cité Publishing Group, PC Home and Business Weekly Media Group, has over 25 years of experience in the media industry and was awarded by Kingstone as "People of the Publishing Industry" in 1997. Mr. Yang, formerly an executive director of Era Communications and President of Asia Plus Broadcasting, has over 30 years of experience in the media industry.

The Mainland China version of *Business Weekly, Asia Business*, launched five pilot editions in the first half of 2005. "*DG Best* ", a digital products magazine, is currently being prepared for launch in the fourth quarter of 2005. Operations for Taiwan publishers have seen set up in Beijing, Shanghai and Guangzhou respectively.

Sports

In the first half of 2005, the Sports Group underwent a major restructuring. Revenue of the Group declined 49% to HK$66 million; a segment loss of HK$9 million was reported, compared to a profit of HK$20 million in the first half of last year. During the period, a total of HK$71 million one-time provisions were made. The provisions were for receivables of a golf and a tennis event.

In July, the group settled the legal dispute with a minority shareholder of Tennis Management Limited ("TML") for a gross consideration of approximately HK$54 million, which includes the purchase of 40% remaining interests in TML, the transfer of certain subsidiaries and Thailand operations of TML and the settlement of inter-companies balances. This settlement arrangement secured the group's commercial rights and management control of *China Open*, the group's flagship international tennis event, and full ownership of the ATP and WTA licenses.

Most of the group's major sports events will be held in the second half of 2005. The regional finals and the national finals of the 2004-5 *Philips China Inter-University Football League* were held in April to June 2005. A total of 124 matches attracted around 500,000 on-site audiences in 5 cities. This event will be restarted in the next academic year with a new format. *The National Table-tennis Team* sponsored by LG continues to participate in major matches throughout the year. In June, the *AMWAY Nutriilite Run for Health* was successfully kicked off at the first stop Chongqing. The opening carnival had attracted thousands of on-site spectators. This event will also be launched in other 7 major China cities in the coming months. In July, the *2005 3D Gold FIVB World Grand Prix*, the Hong Kong events of this major international women volleyball competition, was successfully held. Major sponsors for this event include Sasa and Vanda.

Building on the success of the inaugural *China Open* last year, the Group is organizing the event for the second consecutive year. The event will be held in September this year. Mr. Ekkehard Rathgeber, Chief Operating Officer of the TOM Group, has been appointed as tournament director. Top seeds like Refael Nadal, Guillermo Coria, Nikolay Davydenko, Lindsay Davenport, Maria Sharapova, Venus Williams and Serena Williams as well as China's top women players Li Na, Zheng Jie, the 2004 Olympic double champion Li Ting and Sun Tiantian are expected to compete in the two-week tournament. Major sponsors will include a range of domestic and international brands, including Lacoste, Beijing Shangri-la Hotel, Sohu.com, Citizen, Emma Ticketing, Sony Ericsson, CCTV, Avon, Coco-cola and Beijing Chateau.

TV & Entertainment

The TV & Entertainment Group achieved revenues of HK$32 million in the first half of 2005, an increase of 185% compared to the HK$11 million in the same period last year, with about 12% revenues derived from regions outside Guangdong. Segment loss reduced from HK$43 million in the first half of 2004 to HK$37 million. The growth was mainly attributable to the increase in advertising sales, which accounted for 92% of total revenues of China Entertainment Television Broadcast Limited ("CETV") in the first half of 2005, while the remaining 8% contributed by program syndication, SMS and other events. Major sponsor accounts secured during the first half includes P&G China, Huanan Pharmaceutical and JIA DAN TING Cosmetic.

The digitization of CETV was completed in March 2005. As of 30 June 2005, CETV managed to achieve a market share of 2.7% and 4.1% in Guangzhou and Shenzhen respectively. The Channel has a penetration rate of over 87% in the Guangdong province. The advertising occupancy rate during prime-time hours reached over 68% for the first six months of 2005.

CETV maintained its original productions at around 40% of prime-time programming. Hit programs like "*Huanan Pharmaceutical – All Star Singing Party*" ranked 4th in Shenzhen and 7th in Guangzhou for their time slot. "*No Holds Barred – Super Search Warrant*" achieved market share at 9.2% in Zhongshan, the highest market share in the city for its time slot, while in Shenzhen it achieved 4.2% market share. Original programming is now being syndicated to Hunan, Fujian, Henan and several other local networks. "*CoCo Cooks*" and "*Scent of Woman*" were nominated for "The Best Lifestyle Program" and "The Best Talk Show" respectively by the New Weekly Magazine.

The acquisition of Huayi Brothers International Holdings Limited is expected to be completed in the second half of 2005, with financial contribution expected thereafter.

With the objective of "becoming the top entertainment channel in China through compelling contents aggregation and production", CETV has adopted a drama-driven strategy and the localization of original produced programs in order to differentiate itself from competitors.

BUSINESS OUTLOOK

Although earnings for the first half of 2005 were maintained due to the strong performance of Internet, Publishing as well as the improved performance of the TV and Entertainment Group, performance for the first half overall was unsatisfactory due to the underperformance of the Sports Group. Much of this underperformance arose as an unfortunate consequence of the Group's soured relationship with a former shareholder of TML and resulting acrimonious litigation.

After taking over the management of TML, and settling all litigation, the Sports Group is now focused solely on producing a successful second China Open and getting performance back on track. OMG is expected to achieve a steady organic growth in the second half of 2005 in a challenging environment; CETV is showing continued improvement and remains on track to achieve breakeven sometime during 2006. The Internet and Publishing Group showed solid growth in the first half and the momentum is expected to be maintained for the rest of the year.

I would like to take this opportunity to thank all our valued employees, customers, shareholders and business partners, as well as my fellow members of the Board of Directors for their continuing support of our Group. The Group will remain committed to growing and strengthening our businesses and to maximizing their value for our shareholders, and I expect to be able to report improved performance in the second half.

Frank Sixt
Chairman

Hong Kong, 22 August 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2005, TOM Group had bank and cash balances of approximately HK$887 million and listed debt securities of approximately HK$2,024 million, of which listed debt securities of approximately HK$1,402 million were pledged to secure long-term bank loan facilities of HK$1,295 million. A total of HK$1,836 million financing facilities were available, of which HK$1,474 million had been drawn down to finance the Group's acquisitions, capital expenditures and for working capital purposes as at 30 June 2005.

Total borrowings of TOM Group amounted to approximately HK$2,465 million as at 30 June 2005. This included convertible bonds of approximately HK$991 million, long-term bank loans of approximately HK$1,396 million and short-term bank loans of approximately HK$78 million. The gearing ratio of TOM Group was 39.4% as at 30 June 2005, as compared to 42.6% as at 31 December 2004.

As at 30 June 2005, the Group had net current assets of approximately HK$1,116 million, showing a significant improvement from approximately HK$106 million as at 31 December 2004. This was mainly attributed to the decrease in consideration payables from HK$1,388 million as at 31 December 2004 to HK$129 million as at 30 June 2005, the settlement of which were mainly by utilizing long-term financing facilities, sales proceeds from disposal of debt securities and by issuance of shares of TOM Online, a subsidiary of the Company. Moreover, pursuant to an agreement dated 21 June 2004 entered into between, among others, Mountergate Limited ("Mountergate"), a wholly-owned subsidiary of the Company, and Shanghai Maya Audio Video Company Limited ("Maya Audio"), a sum of US$25 million (approximately HK$195 million) consideration payable by Mountergate to Maya Audio under an equity transfer contract dated 28 April 2000 entered into between them was set-off and discharged in full against an aggregate net book value of approximately HK$156 million which was lent or otherwise advanced by the Group to Maya Audio and its affiliates. This has resulted in an increase of net current assets by approximately HK$141 million. The current ratio of TOM Group increased from 1.05 as at 31 December 2004 to 2.01 as at 30 June 2005.

In the first half of 2005, the Group used net cash of HK$3 million for its operating activities, as compared to a net cash used of HK$60 million in the same period of 2004. Net cash used in investing activities was HK$466 million, which mainly included capital expenditures and acquisition of subsidiaries amounting to HK$870 million, partly offset by the interest income of HK$56 million and the proceed of HK$327 million from the sales of debt securities. During the period, the Group utilized bank loans, net of arrangement expenses, of HK$272 million to finance partly the acquisition of subsidiaries and the buyback of convertible bonds of US$4 million, resulting a net cash from financing activities of HK$237 million.

Charges on Group Assets

As at 30 June 2005, the Group had listed debt securities with a market value of approximately HK$1,402 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$1,123 million. In addition, bank deposits, cash and other assets at total book value of approximately HK$5 million were pledged to banks for securing banking facilities granted to certain subsidiaries of the Group.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 30 June 2005, TOM Group had no material contingent liabilities.

Employee Information

As at 30 June 2005, TOM Group had 3,529 full-time employees. During the first six months of the year, employee costs, including Directors' emoluments, totaled HK$321 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2004.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2005

	Note	Unaudited Six months ended 30 June 2005 HK$'000	2004 (As restated) HK$'000
Turnover	3	**1,415,747**	1,198,375
Cost of sales		**(874,306)**	(676,850)
Interest income		**45,308**	37,059
Selling and marketing expenses		**(150,093)**	(120,351)
Administrative expenses		**(125,906)**	(116,510)
Other operating expenses		**(169,416)**	(181,352)
Provision for impairment of assets		**–**	(82,731)
Provision for contracts termination		**–**	(134,315)
Provision for receivables, net	4	**(31,971)**	(22,476)
Listing expenses for migration to the Main Board of Stock Exchange		**–**	(19,812)
Share of losses of jointly controlled entities		**(85)**	(346)
Share of profits of associated companies		**8,537**	853
Operating profit/(loss) before net gain on deemed disposals		**117,815**	(118,456)
Net gain on deemed disposals of interests in subsidiaries	5	**160,335**	873,367
Operating profit	6	**278,150**	754,911
Finance costs	7	**(45,300)**	(15,369)
Profit before taxation		**232,850**	739,542
Taxation	8	**(23,576)**	(23,272)
Profit for the period		**209,274**	716,270
Attributable to:			
Equity holders of the Company		**169,348**	683,478
Minority interests		**39,926**	32,792
		209,274	716,270
Earnings per share for profit attributable to the equity holders of the Company during the period	10		
Basic		**HK4.35 cents**	HK17.60 cents
Diluted		**N/A**	HK16.37 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Note	30 June 2005 Unaudited HK$'000	31 December 2004 (As restated) HK$'000
Non-current assets			
Fixed assets		**300,405**	284,551
Other non-current assets		**126,614**	208,565
Goodwill		**2,350,321**	2,280,025
Interests in jointly controlled entities		**14,565**	14,650
Interests in associated companies		**226,356**	226,073
Available-for-sale financial assets		**2,075,425**	2,519,199
		5,093,686	5,533,063
Current assets			
Inventories		**122,775**	123,117
Trade and other receivables	11	**1,211,327**	1,119,152
Bank balances and cash		**887,120**	1,118,876
		2,221,222	2,361,145
Current liabilities			
Consideration payables		**129,013**	1,387,514
Trade and other payables	12	**841,340**	807,571
Taxation payable		**57,032**	50,459
Long-term bank loans – current		**68,221**	42
Short-term loans		**9,400**	9,964
		1,105,006	2,255,550
Net current assets		**1,116,216**	105,595
Total assets less current liabilities		**6,209,902**	5,638,658
Non-current liabilities			
Other non-current liabilities		**2,413,525**	2,433,999
Deferred tax liabilities		**4,355**	13,318
		2,417,880	2,447,317
Net assets		**3,792,022**	3,191,341
Equity			
Share capital		**389,001**	389,001
Reserves		**2,427,484**	2,098,770
Own shares held		**(6,085)**	(6,085)
Capital and reserves attributable to the Company's equity holders		**2,810,400**	2,481,686
Minority interests		**981,622**	709,655
Total equity		**3,792,022**	3,191,341

NOTES

1 **Basis of preparation and accounting policies**

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards ("HKFRS") and HKASs (collectively referred to as new "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

These interim financial statements have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing this information. The HKFRSs and interpretation that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2 **Changes in accounting policies**

(a) **Early adoption of HKFRS 3, HKAS 36 and HKAS 38 in 2004**

In preparing the consolidated financial statements for the year ended 31 December 2004, the Group has early adopted the following new standards with effective from 1 January 2004:

HKFRS 3 Business Combination
HKAS 36 Impairment of Assets
HKAS 38 Intangible Assets

The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in a change in accounting policy for goodwill and intangible assets. When preparing the interim financial statements of the Group for the six months ended 30 June 2004, goodwill and intangible assets were:

- amortised on a straight-line basis over a maximum period of 20 years; and
- assessed for impairment if there are any such indications at each balance sheet date.

In accordance with the provisions of HKFRS 3, HKAS 36 and HKAS 38,

- the Group ceased amortisation of goodwill from 1 January 2004;
- accumulated amortisation as at 31 December 2003 has been eliminated with a corresponding decrease in the cost of goodwill;
- goodwill is tested annually for impairment as well as there is indication of impairment; and
- intangible assets can have indefinite useful lives.

These new accounting standards do not require retrospective application. The comparative financial information of the profit and loss account for the six months ended 30 June 2004 has been restated as below:

	For the six months ended 30 June 2004 HK$'000
Increase in profit attributable to equity holders of the Company	25,131
Increase in earnings per share-basic *(HK cent)*	0.64
Increase in earnings per share-diluted *(HK cent)*	0.59

(b) **Adoption of HKFRSs in the current period**

In 2005, the Group has adopted the new HKFRSs below, which are relevant to its operation. The 2004 comparative financial information, where required, has been amended in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets held for Sale and Discontinued Operations

The adoption of HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and certain other disclosures in the financial statements;
- HKAS 8 has affected certain disclosures in the financial statements;
- HKASs 2, 7, 10, 16, 23, 24, 27, 28, 31, 33 and HKFRS 5 had no material effect on the Group's policy; and
- HKAS 21 requires goodwill and fair value adjustments arising on acquisition of foreign entities be treated as assets and liabilities of the foreign entities and translated at closing rates.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations.

HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with the standard on a retrospective basis. The adjustments required by the adoption of HKAS 39 are determined and recognised on 1 January 2005.

HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested on 1 January 2005.

Details of the effects of the other applicable HKFRSs are as below:

HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets to operating leases. The up-front prepayments made for the leasehold land are expensed in the profit and loss account on a straight-line basis over the period of the lease and where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

If the allocation between the leasehold land and building elements cannot be made reliably, the leasehold interests in land are accounted for as properties within fixed assets.

HKASs 32 and 39

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 December 2004, investments held by the Group for non-trading purpose are classified as investment securities and stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the revaluation reserve until the security is sold, or is determined to be impaired.

In accordance with HKAS 39, the investments, depending on the purpose for which the investments are held, are required to be classified into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale.

As a result, the investment securities held by the Group are reclassified as available-for-sale financial assets and carried at fair value at the balance sheet date with movements in fair value taken to reserve, or the part of any change in fair value attributable to interest income calculated using the effective interest method being recognised in profit and loss account.

Furthermore, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortised cost using the effective interest method. Embedded derivative should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the derivative are not closely related to that of the host contract.

Therefore, the convertible bonds in issue by the Group as at 1 January 2005 were split into the equity portion for the fair value of the conversion right by the bondholders, and the liability portion of the loan which is carried at amortised cost using effective interest method.

HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective from 1 January 2005, the Group expenses the cost of share options in the profit and loss account. In accordance with the transitional provision of HKFRS 2, only the cost of share options granted after 7 November 2002 which had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods.

HKAS 19 (Amendment)

In February 2005, HKICPA issued HKAS 19 (Amendment) "Actuarial Gains and Losses, Group Plans and Disclosures" which is effective for accounting periods beginning on or after 1 January 2006. This amendment to HKAS 19, among others, introduces an additional recognition option for all actuarial gains and losses arising from post-employment defined benefit plans outside the profit and loss account. Certain disclosures requirements in financial statements are also revised.

As permitted by HKAS 19 (Amendment), the Group has early adopted this standard with effective from 1 January 2005.

The impacts on the prior periods from the adoption of HKAS 19 (Amendment) are not material such that no prior year adjustment has been made.

Overall, effect of changes in the accounting policies on profit attributable to equity holders of the Company and on equity attributable to equity holder of the Company is summarised below:

	HKAS 32 & HKAS 39 HK$'000	HKFRS 2 HK$'000	HKAS 19 (Amendment) HK$'000	As at or for the six months ended 30 June 2005 HK$'000
Decrease in profit attributable to equity holders of the Company	18,348	21,188	20	39,556
Decrease in earnings per share-basic *(HK cents)*	0.47	0.55	–	1.02
Increase/(decrease) in capital and reserves attributable to equity holders of the Company	143,084	–	(563)	142,521

	HKAS 32 & HKAS 39 *HK$'000*	HKFRS 2 *HK$'000*	HKAS 19 (Amendment) *HK$'000*	As at or for the six months ended 30 June 2004 *HK$'000*
Decrease in profit attributable to equity holders of the Company	–	25,758	–	25,758
Decrease in earnings per share-basic *(HK cent)*	–	0.66	–	0.66
Decrease in earnings per share-diluted *(HK cent)*	–	0.60	–	0.60
Increase/(decrease) in capital and reserves attributable to equity holders of the Company	–	–	–	–

3 Segment reporting
Primary reporting format – business segments

	Six months ended 30 June 2005					
	Internet Group *HK$'000*	**Outdoor Media Group** *HK$'000*	**Publishing Group** *HK$'000*	**Sports Group** *HK$'000*	**Television and Entertainment Group** *HK$'000*	**Total** *HK$'000*
Turnover	**621,451**	**184,063**	**512,231**	**65,551**	**32,451**	**1,415,747**
Segment profit/(loss) before amortisation and depreciation	**167,609**	**35,529**	**69,725**	**(8,385)**	**(17,671)**	**246,807**
Amortisation and depreciation	**(31,180)**	**(12,846)**	**(6,495)**	**(252)**	**(19,447)**	**(70,220)**
Segment profit/(loss)	**136,429**	**22,683**	**63,230**	**(8,637)**	**(37,118)**	**176,587**
Provision for receivables, net	**38,932**	–	–	**(70,903)**	–	**(31,971)**
Share of losses of jointly controlled entities	**(85)**	–	–	–	–	**(85)**
Share of profits of associated companies	**64**	–	**8,473**	–	–	**8,537**
Unallocated costs						**(35,253)**
Operating profit before net gain on deemed disposals						**117,815**
Net gain on deemed disposals of interests in subsidiaries	**160,335**	–	–	–	–	**160,335**
Operating profit						**278,150**
Finance costs						**(45,300)**
Profit before taxation						**232,850**
Taxation						**(23,576)**
Profit for the period						**209,274**
Attributable to:						
Equity holders of the Company						**169,348**
Minority interests						**39,926**
						209,274

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

	Six months ended 30 June 2004 (As restated)					
	Internet Group *HK$'000*	Outdoor Media Group *HK$'000*	Publishing Group *HK$'000*	Sports Group *HK$'000*	Television and Entertainment Group *HK$'000*	Total *HK$'000*
Turnover	458,732	159,460	441,452	127,333	11,398	1,198,375
Segment profit/(loss) before amortisation and depreciation	160,244	38,582	55,929	19,957	(32,771)	241,941
Amortisation and depreciation	(22,325)	(12,865)	(6,412)	(237)	(10,011)	(51,850)
Segment profit/(loss)	137,919	25,717	49,517	19,720	(42,782)	190,091
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 receivables, net	–	(17,831)	–	–	(4,645)	(22,476)
Listing expenses for migration to the 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
Unallocated costs						(49,720)
Operating loss before net gain on deemed disposals						(118,456)
Net gain on deemed disposals of interests in subsidiaries	873,367	–	–	–	–	873,367
Operating profit						754,911
Finance costs						(15,369)
Profit before taxation						739,542
Taxation						(23,272)
Profit for the period						716,270
Attributable to:						
Equity holders of the Company						683,478
Minority interests						32,792
						716,270

Secondary reporting format – geographical segments

	Turnover Six months ended 30 June		**Operating profit/(loss) Six months ended 30 June**	
	2005	*2004*	***2005***	*2004* (As restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**33,772**	50,616	**(21,442)**	(4,183)
Mainland China	**902,220**	738,089	**177,653**	178,316
Taiwan	**479,755**	409,670	**90,596**	67,808
	1,415,747	1,198,375	**246,807**	241,941
Amortisation and depreciation			**(70,220)**	(51,850)
Provision for impairment of assets			–	(82,731)
Provision for contracts termination			–	(134,315)
Provision for receivables, net			**(31,971)**	(22,476)
Listing expenses for migration to the Main Board of Stock Exchange			–	(19,812)
Share of losses of jointly controlled entities			**(85)**	(346)
Share of profits of associated companies			**8,537**	853
Net gain on deemed disposals of interests in subsidiaries			**160,335**	873,367
Unallocated costs			**(35,253)**	(49,720)
Operating profit			**278,150**	754,911

4 Provision for receivables, net

Provision for receivables, net represents a provision of HK$70,903,000 for accounts receivables in respect of two sports events, offset by a write-back of provision of HK$38,932,000 made in prior years in respect of loans and advances to certain investee companies.

5 Net gain on deemed disposals of interests in subsidiaries

(a) Puccini International Limited ("Puccini")

On 19 November 2003, the Group completed the acquisition of the 100% beneficial interest in Beijing Lei Ting Wu Ji Network Technology Limited from Cranwood Company Limited ("Cranwood") through the acquisition of the entire share capital of Puccini. The purchase consideration was contingent on the audited consolidated net profit of Puccini and its subsidiaries (the "Puccini Group") for the year ended 31 December 2004, and subject to a maximum consideration of US$150 million (approximately HK$1,170 million). Half of the consideration is to be settled in cash and the remaining half is to be satisfied by the issue of shares by TOM Online Inc. ("TOM Online"), a non-wholly owned subsidiary of the Company. As at 31 December 2004, the total purchase consideration was estimated to be US$132 million (approximately HK$1,030 million). Shares of TOM Online worth of US$18.5 million (approximately HK$144.3 million) were issued at an issue price of HK$1.5 each to Cranwood in March 2004 as initial consideration.

The audited consolidated accounts of Puccini Group for the year ended 31 December 2004 were issued on 6 April 2005 and the purchase consideration was finalised at US$132 million (approximately HK$1,030 million). Accordingly, shares of TOM Online totalling US$47.5 million (approximately HK$370.5 million) were issued by TOM Online at an issue price of HK$1.2193 per share (being the average closing price of shares of TOM Online during the 30 trading days immediately before the date of the auditors' report of the accounts of Puccini Group) on 25 April 2005. Cash consideration of US$66 million (approximately HK$515 million) was paid by the Group by 29 April 2005.

As a result of the issuance of shares by TOM Online on 25 April 2005, the beneficial interest in TOM Online held by the Group was reduced from 71.86% to 66.66%, resulting in a gain on deemed disposal of approximately HK$160,872,000.

(b) Indiagames Limited ("Indiagames")

TOM Online Games Limited ("TOM Online Games"), a non-wholly owned subsidiary of the Company, has acquired 76.29% beneficial interest in Indiagames and its subsidiaries (the "Indiagames Group") on 24 February 2005. In May 2005, Indiagames allotted and issued a total of 112,683 shares to two independent parties at a total consideration of US$4 million (approximately HK$31.2 million). As a result, the beneficial interest held by TOM Online Games in Indiagames Group was reduced from 76.29% to 62.42%, resulting in a loss on deemed disposal of approximately HK$537,000.

6 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 June 2005 *HK$'000*	2004 (As restated) *HK$'000*
Depreciation of fixed assets	**46,084**	41,046
Amortisation of other non-current assets	**27,031**	15,140

7 Finance costs

	Six months ended 30 June 2005 *HK$'000*	2004 *HK$'000*
Interest and borrowing costs on bank loans	**16,492**	1,370
Interest and borrowing costs on convertible bonds	**28,453**	10,224
Interest on other loans, wholly repayable within five years	**355**	3,775
	45,300	15,369

8 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less available tax losses.

The amount of taxation charged in the consolidated profit and loss account represents:

	Six months ended 30 June 2005 *HK$'000*	2004 *HK$'000*
Hong Kong profits tax	–	101
Overseas taxation	**32,147**	27,277
Under-provision in prior years	–	769
Deferred taxation	**(8,571)**	(4,875)
	23,576	23,272

Share of associated companies' taxation for the six months ended 30 June 2005 of approximately HK$1,970,000 (2004: HK$Nil) has been included in the consolidated profit and loss account as share of profits of associated companies.

9 Dividend

No dividend has been paid or declared by the Company for the period ended 30 June 2005 and 2004.

10 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding own shares held.

	Six months ended 30 June 2005	2004 (As restated)
Profit attributable to equity holders of the Company (HK$'000)	**169,348**	683,478
Weighted average number of ordinary shares in issue	**3,889,997,150**	3,882,734,691
Basic earnings per share *(HK cents per share)*	**4.35**	17.60

Diluted

No diluted earnings per share is presented for the six months ended 30 June 2005 as the exercise prices of the outstanding share options granted by the Company were higher than the average market price of the share of the Company, and the conversion of the convertible bonds would have an anti-dilutive effect during the period.

Details of calculation of diluted earnings per share for the period ended 30 June 2004 are shown as follows:

	Six months ended 30 June 2004 (As restated)
Profit attributable to equity holders of the Company *(HK$'000)*	683,478
Interest expense on convertible debt *(HK$'000)*	10,224
Profit used to determine diluted earnings per share *(HK$'000)*	693,702
Weighted average number of ordinary shares in issue	3,882,734,691
Adjustments for	
– assumed conversion of convertible debt	352,941,176
– share options	1,953,371
Weighted average number of ordinary shares for diluted earnings per share	4,237,629,238
Diluted earnings per share *(HK cents per share)*	16.37

11 Trade and other receivables

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Trade receivables, net of provision	**732,370**	781,010
Less: Amount due after one year	–	(74,100)
Amount receivable within one year	**732,370**	706,910
Prepayments, deposits and other receivables	**478,957**	412,242
	1,211,327	1,119,152

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

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
1-30 days	**341,194**	346,323
31-60 days	**194,490**	136,235
61-90 days	**93,873**	113,328
Over 90 days	**102,813**	185,124
	732,370	781,010
Represented by:		
Receivables from related companies	**2,419**	2,542
Receivables from third parties	**729,951**	778,468
	732,370	781,010

Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

12 Trade and other payables

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Trade payables	**263,574**	297,433
Less: Amount due after one year	–	(46,800)
Amount payable within one year	**263,574**	250,633
Other payables and accruals	**577,766**	556,938
	841,340	807,571

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

	30 June 2005 HK$'000	31 December 2004 HK$'000
1-30 days	**148,932**	174,078
31-60 days	**36,661**	31,116
61-90 days	**24,899**	24,298
Over 90 days	**53,082**	67,941
	263,574	297,433

AUDIT COMMITTEE

The unaudited consolidated results of the Group for the six months ended 30 June 2005 have been reviewed by the audit committee of the Company ("Audit Committee").

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2005, with deviations from code provisions B.1.1, B.1.3, C.3.3 and D.2.1 of the Code on CG Practices as summarised below.

Under the code provisions B.1.1 and B.1.3 of the Code on CG Practices, a remuneration committee should be set up with specific written terms of reference which should include, as a minimum, the duties specified in code provision B.1.3 of the Code on CG Practices and a majority of the members of the remuneration committee should be independent non-executive directors. Although the remuneration committee of the Company ("Remuneration Committee") was set up in 2000, there was no written terms of reference and a majority of its members comprised of non-executive Directors. During the period, the Company adopted a written terms of reference which includes the terms set out in code provision B.1.3 of the Code on CG Practices for the Remuneration Committee and the members of the Remuneration Committee have been changed so that a majority of the members comprise of independent non-executive Directors.

Under the code provision C.3.3 of the Code on CG Practices, the terms of reference of the audit committee should include at least the duties specified therein. Previously, the terms of reference adopted by the Audit Committee did not include all the duties specified in code provision C.3.3 of the Code on CG Practices. During the period, the terms of reference of the Audit Committee has been revised so as to comply with the aforesaid code provision.

Under the code provision D.2.1 of the Code on CG Practices, where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly. The Company has established an executive board committee ("Exco Committee"). Previously, the Exco Committee has no written terms of reference. During the period, the Company has adopted a written terms of reference for the Exco Committee.

As at 30 June 2005, the Company was in compliance with all the code provisions set out in the Code on CG Practices.

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 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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

Executive Directors:
Mr. Sing Wang
Ms. Tommei Tong

Independent non-executive Directors:
Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha

Non-executive Directors:
Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Mr. Wang Lei Lei

* *for identification purpose*