# TOM.COM LIMITED

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

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## THIRD QUARTERLY RESULTS FOR 2003

### HIGHLIGHTS

Key third quarter achievements include:

- Second consecutive quarter of profit attributable to shareholders
- 81% increase in profit attributable to shareholders over the last quarter
- Continued growth in positive EBITDA, by 25% over last quarter
- Internet Group, Outdoor Media Group and Publishing Group all registered growth in EBITDA over last quarter, with Sports & Entertainment Group registering a decline
- Compared to the same three month period last year, EBITDA grew by one and a half times and profit attributable to shareholders swung HK$63 million from a net loss of HK$44 million, to HK$18 million
- Achieved positive year-to-date operating profit and profit before tax

The unaudited consolidated results for the three months and nine months ended 30 September 2003 and the comparisons with last year are set out in the accompanying table.

### CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM.COM LIMITED ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the third quarter and the nine months ended 30 September 2003.

Against a soft operating background, the TOM Group successfully delivered its second consecutive quarter of profit attributable to shareholders. With continuing revenue and margin initiatives, particularly in the Internet Group, offsetting a difficult quarter in the Sports and Entertainment Group, the Group delivered modest growth in revenue overall as well as a higher overall profitability margin.

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**Financial Highlights**

| | **For the three month period ended** | | |
|---|---|---|---|
| | **30 September 2003** | 30 June 2003 | 30 September 2002 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Turnover | **456,433** | 455,538 | 451,553 |
| Gross profit | **218,952** | 204,687 | 185,624 |
| Earnings before interest, taxation, depreciation and amortization | **82,046** | 65,449 | 33,345 |
| Profit/(loss) attributable to shareholders | **18,450** | 10,183 | (44,135) |

**Financial Performance**

The TOM Group's unaudited consolidated revenue for the three months ended 30 September 2003 was HK$456 million, flat over the last quarter. Internet Group revenue increased by 2% quarter-on-quarter, with an increase in EBITDA margin to 48% compared to 45% last quarter. Outdoor Media Group and Publishing revenues grew by 1% and 10% respectively, with EBITDA margins improving to 27% and 13%. Sports & Entertainment revenue declined by 27%, with a slight drop in EBITDA margin from 9% to 7%.

TOM is reporting a second consecutive quarter of profit attributable to shareholders, amounting to HK$18 million – an improvement of HK$8 million over last quarter's attributable profit of HK$10 million. EBITDA continues to grow, with a 25% increase to HK$82 million, with EBITDA margin now at 18%.

Comparing overall financial performance to the same period last year, revenue for the nine months ended 30 September 2003 amounted to HK$1.3 billion, a 17% increase from HK$1.1 billion in the corresponding period in 2002. Operating profit was HK$26 million and profit before taxation was HK$8 million, compared to an operating loss of HK$75 million and loss before taxation of HK$114 million for the same nine month period in 2002. Loss attributable to shareholders in the first nine months of 2003 was HK$14 million, 92% lower than the Group's attributable loss of HK$169 million for the same period in 2002, representing an improvement of HK$154 million.

**Business Review**

*Internet Group*

The Internet Group reported revenue of HK$126 million with an improvement in EBITDA margin to 48%. Wireless data services continued to be the main contributor with the SMS customer base growing from 17 million to 20 million this quarter, and the MMS customer base increasing from 200,000 to 320,000 users. Continuing emphasis was also placed on operating expenses.

During the quarter, the Internet Group also took steps aimed at broadening its revenue base and developing a more balanced platform of Internet services. The announcement of the acquisition of Beijing Leitingwuji Network Technology Company Limited ("LTWJi"), an interactive voice response service, will allow the Internet Group to develop a new source of revenue that is expected to provide it with another channel of growth. Apart from broadening the existing wireless product portfolio, LTWJi will also provide margin improvement. Wireless interactive voice response services are a new category of wireless value-added services in Mainland China that allow users to access pre-recorded information content from their mobile telephones by dialing access telephone numbers, and to interact with each other in chat-rooms and through one-on-one dating communication services.

The discontinuation of the Internet Group's promotion arrangements with certain third party web sites has taken effect on the wireless revenue. However, other wireless applications such as MMS, WAP and ring back tone had been the new growth drivers, providing compensation for the impact from the reduced promotional arrangements, resulting in a flat wireless revenue compared to last quarter. Since the distribution channel is crucial for the success of wireless services, arrangements had been setup with leading mobile phone producers to manufacture certain handset models with embedded icons that enable direct user access to our wireless services. Furthermore, the Internet Group has been working closely with its strategic partner, China Mobile, to co-promote our wireless products on a regular basis.

The Internet Group overall revenue growth of 2% over the second quarter has been primarily driven by a modest growth in online advertising. During the quarter, there was strong demand for online advertising with a number of major domestic corporations being secured as customers and commercial relationships being established with leading advertising agencies. A licensing agreement with a leading Korean games company was also signed as the Internet Group prepares to launch its first online game, "Karma Online", a first person shooting game. Although no formal launch date has been set yet, it is expected this game will provide users with a new and unique gaming experience. Other initiatives to diversify the revenue mix include the launch of a paid-listing service, targeting small-medium enterprises, to be based on subscription-fees. Further enhancements to the Portal are being made, a partnership has been formed with Baidu, a local search engine provider, to upgrade the Portal's existing search services.

We believe the Internet Group will resume growth momentum and demonstrate robust results.

*Outdoor Media Group*

The Outdoor Media Group continued to make progress in the post-SARS period, recording revenue of HK$75 million for the quarter, with EBITDA margin increasing to 27%.

A total HK$27 million in network sales contracts were secured with multinationals and large domestic corporations. This included a single nationwide contract with a leading domestic mobile phone manufacturer for HK$16 million, to place outdoor advertising throughout twenty-three cities across the country. The Outdoor Media Group is well positioned to bid for this customer's second stage nationwide advertising campaign, which is estimated at HK$15 million.

The Outdoor Media Group has built up additional marketing channels and significantly raised its profile through establishing closer association with various industry publications. The Group assisted the International Advertising Magazine, a leading industry journal, in the publishing of the "China Outdoor Advertising Magazine".

On the expansion front, new concessions obtained in the quarter included 100 units contributing over 3,000 square meters of outdoor asset space in five different cities. Over two-thirds of the new capacity increase was in the billboard asset class.

*Publishing*

Publishing reported revenue of HK$202 million, a growth of 10% over the previous quarter. EBITDA margin has also improved to 13%. In addition, the Publishing Group also secured a five year syndicated facility of NT$1.9 billion (HK$426 million) for working capital and future development purposes. The financing will allow the Publishing Group to become more financially independent and self-funded as it continues to pursue its operational and growth initiatives.

Management continued to focus on driving costs down. Cost savings in the area of bulk paper procurement have now been achieved and the next area of cost rationalization will be on printing. CUP magazine in Hong Kong is undergoing a complete reorganization and revamp, targeting the young affluent reader demographic. CUP has also branched into providing custom publishing services to corporate clients. Magazines published and marketed under the CUP umbrella include "AV magazine", a leading audio and visual electronics magazine, "Lifestyle Plus", a leisure and lifestyle magazine available to residents of properties managed by the Cheung Kong Group and the recently launched "ParknShop Magazine 生活百寶", a food, health and home magazine available in all ParknShop supermarkets.

During the quarter, two new magazines titles were launched in Taiwan, including the internationally renowned "International Wrist Watch" magazine (Chinese version). A further 18 book titles were licensed for production by Mainland publishers. On the book-publishing front, the Group published a total of 469 new book titles.

*Sports & Entertainment*

The weak performance of the Sports & Entertainment Group for the quarter reflects the continuing impact of SARS from prior periods, which has resulted in cancellation or postponement of sporting events that were originally planned for the quarter. In particular, the 2003 China Open, an ATP event originally scheduled to be held in Beijing in September of this year, has been postponed to 2004. This event contributed significantly to both revenue and bottom line in 2002 when the event was still being hosted in Hong Kong. As a result, the Group reported revenue of HK$53 million, a decline of 27% over the previous quarter, with a recorded EBITDA margin of 7% for the period.

The Group's entertainment business in the area of distribution and sale of audio and video products operates in complex market environment with issues such as piracy and proper provision of taxation. During the quarter, the Group has undergone a complete revamp of this business putting in place various management system control including conservative accounting and tax policies. The aim is to ensure a clean book of business and to lay solid foundations for the future, thus affecting the current revenue and margins of this business.

With the official completion of the acquisition of China Entertainment Television Broadcast Limited ("CETV"), management handover began at the end of September. Planning and preparation has begun on the restructuring and relocation of the current operations setup, with a view to migrating the majority of its operations to Mainland China. It is expected that the management and operations reorganization, along with the overall channel revamp will take several months. A hard re-launch of the channel is targeted for the end of the second quarter in 2004.

Sports marketing activities have regained some momentum since the end of the second quarter. Marketing rights including the future commercial rights to the China National Table Tennis Team have been secured, at the same time an international sponsor has already been locked in. The Philips Inter-University Football league was held in September where thirty-eight university football teams competed in the semi-finals in four universities. The debut Thailand Open, the first ever ATP event in Thailand, was met with a favorable response. The event received support from over twenty sponsors, all elite tier overseas and Thai domestic companies, which are likely long-term partners of the event. Tickets were sold out in the first day of public sale. Total audience was over 75,000 watching 50 matches over the nine-day event. Overall, prospects for this group look somewhat brighter for the remainder of this year and looking forward.

**Business Outlook**

This quarter has been a rewarding period for the Group, marked with a number of special events. Firstly, the Group has achieved profitability for a second consecutive quarter, building good momentum towards accumulated profit attributable to shareholders. Secondly, with the official completion of CETV, TOM now has completed its foundations as a media conglomerate, and one that is unique in Asia. The Group will focus efforts restructuring with an aim to relaunch a new CETV in 2004. Thirdly, a share placement was successfully completed raising funds exceeding HK$990 million, further strengthening the Group's balance sheet. Fourthly, the completion of the syndicated facility of NT$1.9 billion (HK$426 million) for the Publishing Group provides flexibility in the Group's future financing and funding requirement. Going forward, the Group will continue to focus on margin expansion with the key priority being bottom line profitability.

The recent announcement of the establishment of a Sino-Foreign publishing joint venture with the Sanlian Group will allow TOM to further expand in the Chinese language publishing sector and build a strategic foothold in the Mainland China publishing market.

On 6 November, the TOM Group entered into an agreement for the issuance of convertible bonds, due 2008, to the amount of US$150 million, with an option to issue up to a further US$35 million. We have taken advantage of the current market window of opportunity for very low cost financing, hence further strengthening the Group's financial position.

I am confident that despite a soft operating environment this year, TOM remains on track to continue to create additional growth and deliver value to our shareholders.

**Frank Sixt**
*Chairman*

Hong Kong, 13 November 2003

## UNAUDITED CONSOLIDATED RESULTS

*For the three months and nine months ended 30 September 2003*

| | Note | Three months ended 30 September 2003 HK$'000 | Three months ended 30 September 2002 HK$'000 | Nine months ended 30 September 2003 HK$'000 | Nine months ended 30 September 2002 HK$'000 |
|---|---|---|---|---|---|
| Turnover | | **456,433** | 451,553 | **1,323,375** | 1,130,771 |
| Cost of sales | | **(237,481)** | (265,929) | **(747,517)** | (702,807) |
| Interest income | | **4,265** | 1,323 | **5,479** | 4,532 |
| Selling and marketing expenses | | **(45,569)** | (43,843) | **(133,552)** | (129,681) |
| Administrative expenses | | **(49,887)** | (64,102) | **(152,622)** | (165,770) |
| Other operating expenses | | **(89,472)** | (81,295) | **(269,294)** | (211,931) |
| Operating profit/(loss) | | **38,289** | (2,293) | **25,869** | (74,886) |
| Finance costs | | **(4,114)** | (5,433) | **(13,725)** | (13,681) |
| Share of losses of jointly controlled entities | | **(857)** | (8,645) | **(5,855)** | (25,806) |
| Share of profits less losses of associated companies | | **556** | 190 | **1,288** | (122) |
| Profit/(loss) before taxation | | **33,874** | (16,181) | **7,577** | (114,495) |
| Taxation | *2* | **(10,120)** | (15,855) | **(11,974)** | (39,818) |
| Profit/(loss) after taxation | | **23,754** | (32,036) | **(4,397)** | (154,313) |
| Minority interests | | **(5,304)** | (12,099) | **(9,827)** | (14,329) |
| Profit/(loss) attributable to shareholders | | **18,450** | (44,135) | **(14,224)** | (168,642) |
| Earnings/(loss) per share | *3* | | | | |
| Basic | | **HK0.49 cents** | HK(1.34) cents | **HK(0.41) cents** | HK(5.12) cents |
| Diluted | | **HK0.48 cents** | N/A | **N/A** | 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. The Group has adopted the new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") which became effective on 1 January 2003. The adoption of these new and revised SSAPs has no material effect on the Group's results.

Certain comparative figures have been reclassified to conform with the current period's presentation.

### 2. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

| | **Three months ended 30 September** | | **Nine months ended 30 September** | |
|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | **–** | (4,264) | **–** | (5,057) |
| Overseas taxation | **(8,973)** | (10,090) | **(20,653)** | (28,556) |
| Over-provision in prior years | **3,408** | – | **5,045** | – |
| Deferred taxation | **(4,555)** | (1,501) | **3,634** | (6,205) |
| | **(10,120)** | (15,855) | **(11,974)** | (39,818) |

### 3. EARNINGS/(LOSS) PER SHARE

#### (a) Basic

The calculation of the basic earnings/(loss) per share for the three months and nine months ended 30 September 2003 is based on the respective unaudited consolidated profit attributable to shareholders of HK$18,450,000 and unaudited consolidated loss attributable to shareholders of HK$14,224,000 (2002: unaudited consolidated loss attributable to shareholders of HK$44,135,000 and HK$168,642,000) and the weighted average number of 3,789,230,372 and 3,488,212,188 (2002: 3,303,021,737 and 3,294,768,001) ordinary shares outstanding during the periods.

#### (b) Diluted

The calculation of the diluted earnings per share for the three months ended 30 September 2003 is based on the unaudited consolidated profit attributable to shareholders of HK$18,450,000 and the weighted averaged number of 3,834,230,827 ordinary shares, after adjusting for the effects of all dilutive potential shares during the period.

The exercise of share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months ended 30 September 2002 and nine months ended 30 September 2003 and 30 September 2002.

## 4. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2002: HK$Nil).

## 5. MOVEMENT OF RESERVES

| | Share premium account | Capital reserve | Capital redemption reserve | General reserves | Revaluation reserve | Exchange difference | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2002 | 2,231,099 | (377) | 776 | 139 | – | (547) | (1,978,761) | 252,329 |
| Issuance of shares for acquisition of subsidiaries, net of issuing expenses | 70,391 | – | – | – | – | – | – | 70,391 |
| Exercise of share options, net of issuing expenses | 18,537 | – | – | – | – | – | – | 18,537 |
| Investment revaluation deficit | – | – | – | – | (1,741) | – | – | (1,741) |
| Loss for the period | – | – | – | – | – | – | (168,642) | (168,642) |
| Exchange difference | – | – | – | – | – | 40 | – | 40 |
| At 30 September 2002 | 2,320,027 | (377) | 776 | 139 | (1,741) | (507) | (2,147,403) | 170,914 |

| | Share premium account | Capital reserve | Capital redemption reserve | General reserves | Revaluation reserve | Exchange difference | Accumulated losses | Total |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 | 249,139 | – | – | – | – | – | – | 249,139 |
| Placement of shares, net of issuing expenses | 951,270 | – | – | – | – | – | – | 951,270 |
| Investment revaluation surplus | – | – | – | – | 18,616 | – | – | 18,616 |
| Loss for the period | – | – | – | – | – | – | (14,224) | (14,224) |
| Transfer to general reserves | – | – | – | 15,201 | – | – | (15,201) | – |
| Exchange difference | – | – | – | 62 | – | 3,441 | – | 3,503 |
| At 30 September 2003 | 3,534,325 | (377) | 776 | 15,606 | 18,616 | 2,639 | (2,417,969) | 1,153,616 |

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2003, neither TOM nor any of its subsidiaries purchased, sold or redeemed any of TOM's listed shares.

*This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of TOM at www.tomgroup.com.*