TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

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FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

HIGHLIGHTS

- The Group's revenues for the year ended 31 December 2003 amounted to HK$2,089 million, a 29% increase from HK$1,624 million in the previous year.

- The Publishing Group was the largest revenue contributor at 37%, with Internet Group contributing 28% and Outdoor Media Group, Sports Group and Television and Entertainment Group each contributing 14%, 12% and 9%.

- The Group achieved an operating profit of HK$92 million, significantly improved from an operating loss of HK$106 million in 2002. The operating profit was a result of growth in higher margin revenue base and continued cost discipline. In addition, gross profit margin improved from 38% in 2002 to 42% in 2003.

- The TOM Group has achieved its first profit attributable to shareholders of HK$13 million, compared to a loss of HK$410 million in 2002.

The audited consolidated results for the year ended 31 December 2003 and the comparisons with last year are set out in the accompanying table.

CHAIRMAN'S STATEMENT

The TOM Group is now an established diversified media enterprise covering most of the key media segments and markets in Greater China. I am pleased to announce our first year of profit attributable to shareholders. The Group first reported attributable profit in the second quarter of 2003 and performance continued to improve through the second half.

The year of 2003 was difficult and challenging, while at the same time very unique and rewarding for the Group. The Internet Group delivered a two fold growth in revenue reaching HK$592 million and recorded a segment profit of HK$133 million, HK$225 million ahead of 2002 performance. Growth in wireless value added services was the main contributor, turning around the Internet operations from a loss-making position to becoming the most profitable division within the Group. The Internet Group has now transformed from the original Internet portal into a powerful distribution platform offering the full range of wireless multimedia products and services to our mobile customers throughout Mainland China. Through innovation of product offerings and pioneering business models, the Internet Group is now a top-tier service provider capturing top 3 positions in all wireless value added service categories. Post year-end 2003, the Internet Group was listed on Nasdaq in the United States and GEM in Hong Kong as TOM Online. I expect TOM Online to continue to make a strong contribution to the Group over the coming years as it continues to pursue its objective of being the leading Internet operator and telecommunications value added service provider in Mainland China.

In the other divisions, Outdoor reported a growth in revenue to HK$298 million, up from HK$248 million last year, with an operating profit of HK$27 million. Profit margins for the Outdoor Media Group were reduced due to a combination of the impact from SARS and internal restructuring and rationalizing during the year. Non-performing assets were disposed of while new assets with growth potential were added. The Publishing Group delivered a resilient performance through a difficult SARS-affected publishing market environment in Taiwan. Revenue increased a modest 4% to HK$771 million, while segment profit remained flat over the previous year at HK$29 million, primarily as a result of a slight reduction in operating margin. During the period, the Publishing Group in Taiwan further strengthened its financial base through securing a NT$1.9 billion syndicated loan facility, while the Group also received final approval for the setup of its full-scale publishing joint-venture in Mainland China with the Sanlian Group.

In Sports, operating performance was severely affected in the first half of the year but the division delivered a strong turnaround performance in the last quarter. Revenue for the year declined to HK$252 million from HK$317 million in the prior year, however segment profit increased by 20% to HK$73 million over the same period due to a return of many events that had been delayed and deferred as a result of the earlier onset of SARS during the year.

In July, the TOM Group announced the acquisition of a controlling interest in CETV, entering into a partnership with Time Warner. This marked the Group's strategic entry into the highly restricted and regulated but lucrative television sector of Mainland China. The operations are the cornerstone of the Group's Television and Entertainment Group and we aim to turnaround the current loss-making situation of the channel within not more than 3 years.

We have recently changed our name from TOM.COM LIMITED to TOM Group Limited. We believe our new identity more effectively represents the development, growth and scale that has been achieved and is more reflective of what the Group is today. The TOM Group is a diversified Chinese language media enterprise. Our objective remains to consolidate and build one of the leading media organizations in the Greater China region. I believe that in attaining profitability this year and along with the other achievements of the Group to date, all have positioned TOM well for continued growth.

Our achievements would not have been possible without the team spirit, dedication and hard work of management and all our employees. They have continued to demonstrate operational and financial discipline and, most of all, execution capability in turning around loss-making operations and integrating acquired businesses, building leadership positions in each segment of the Group's portfolio. I would like to express a note of thanks to the whole team making the TOM Group the success that it is today.

Frank Sixt
Chairman

Hong Kong, 17 March 2004

MANAGEMENT'S DISCUSSION & ANALYSIS

Operations Review – Internet Group

In 2003, the Internet Group recorded revenue of HK$592 million, more than doubling the revenue of HK$256 million from the previous year. Segment profit before depreciation and amortisation grew to HK$192 million and segment profit to HK$133 million compared to losses of HK$23 million and HK$91 million respectively in 2002, a turnaround of HK$214 million and HK$225 million respectively. The key driver in the division's performance was growth in wireless value added services, the revenues of which contributed 73% of the total Internet Group's revenue in 2003.

Short messaging services ("SMS") continued to deliver strong growth. By the end of 2003, registered users expanded to over 27 million sending an average of 7 million short messages daily, compared to a registered user base of 10 million generating an average daily volume of 3.5 million messages at the end of 2002. Multimedia messaging service ("MMS") registered users expanded to over 1 million, sending 40,000 messages daily at the end of 2003.

In November, the Internet Group acquired LTWJi a leading operator in wireless interactive voice response services ("IVRS"). LTWJi is one of the first five entrants into the IVR market, and has been a leader based on its first mover advantage and comprehensive range of services. Since launch, user base and minutes used grew rapidly, reaching approximately 1.2 million users and 19 million minutes used in the last quarter of 2003, from a user base of approximately 145,000 and 1.7 million minutes used in the first quarter of 2003. The Internet Group believes that LTWJi will further enrich our portfolio of wireless offerings and will strengthen our position as a leading provider of value added multimedia products and services.

The Internet Group has now become a top-tier service provider capturing top three positions in all wireless value added service categories on China Mobile's platform: ranking number one in IVRS for the month of January 2004, number three in SMS and number two in 2.5G services, namely MMS and WAP for the month of December 2003. The Internet Group was also the first among its peers to pioneer handset alliances with mobile phone manufacturers, embedding TOM service offerings into selected mobile phones enabling users direct access to our wireless content and services.

Efforts to continue to increase traffic on our portal and strengthen customer loyalty to our brand were initiated throughout the year. In April, free e-mail services were relaunched resulting in our registered user base growing to 18 million by the end of the year. With heightened user awareness, our traffic also increased, reaching average daily page views of 148 million in the same period. The Internet Group was able to leverage on the increased awareness and portal registering a healthy increase in the number of online advertising clients and the average contract size. In December, we launched our first online game called Karma Online, a first-person-shooting online game unique in the Mainland China market today.

Operations Review – Outdoor Media Group

The Outdoor Media Group reported revenue of HK$298 million, a 20% increase over revenues of HK$248 million recorded in 2002. Segment profit before depreciation and amortisation and segment profit was HK$67 million and HK$27 million in 2003, compared to HK$77 million and HK$44 million respectively in 2002. The Outdoor Media Group's result and margins were affected by SARS, increased level of lower margin media buying activities and certain internal restructuring initiatives. Pricing during the year was somewhat steady with moderate impact during the period of the SARS outbreak.

The Outdoor Media Group has remained focused on its strategy to build the largest billboard and unipole network in Mainland China. With nationwide coverage in 30 key economic cities, it has now has over 5,000 outdoor advertising panels. The average occupancy rate remained steady at around 78% throughout the year. New concession rights secured during the year included an additional 21,000 square meters of outdoor advertising space, comprising over 600 advertising panels with over 90% of the new asset space in the billboard and unipole category. These included key city center locations across 25 cities and major highways in and around the Sichuan and Yunnan Provinces.

Major advertising campaigns undertaken during the year included a nationwide contract with Amoisonic, a major domestic mobile phone manufacturer with outdoor advertising placed across thirty cities in Mainland China. In Shanghai, the Outdoor Media Group pioneered a new form of outdoor advertising, with a building-wrap wall signage advertisement for Intel. This was the first ever in Shanghai and has since become a major landmark.

The Outdoor Media Group was most affected by SARS during the second and third quarter of the year with many major advertisers holding back on advertising spend during the period. The fourth quarter saw a pick up as advertisers returned to their planned advertising budgets.

Operations Review – Publishing Group

The Publishing Group reported revenue of HK$771 million in 2003, a modest 4% growth over HK$741 million in 2002. Segment profit before depreciation and amortisation was HK$71 million and segment profit was HK$29 million compared to HK$70 million and HK$30 million respectively in 2002. With its market leadership position, comprehensive portfolio of leading publications, the Publishing Group was able to counter the impact of SARS. *MOOK*, the popular travel magazine, swiftly shifted to publishing a series of domestic Taiwan travel destinations instead of international destinations. Additional revenue contribution came from custom publishing service contracts for the Beijing Travel Tourism Board. Leading magazines such as *Business Weekly* and *PC Home* were able to capture a larger share of advertising income when advertising customers focused their advertising efforts on premium brand publications only during the SARS outbreak resulting in a 16% growth in advertising income for the year when compared to 2002.

During the year, the Publishing Group consistently strived to address the rapidly changing market dynamics. A number of award-winning titles were produced and 8 new magazines were launched in 2003 – in the same period, 12 under-performing magazines ceased publishing. Of the 1,697 new book titles published, 12 books ranked among Kingstone top five best sellers. Efforts focused on the cross fertilization of content across Taiwan, Mainland China and Hong Kong continued and by the end of the year, an additional 130 books had been licensed into Mainland China.

Restructuring of the original 5 individual business units of the Taiwan Publishing division into a single common holding platform was completed in July. The restructuring resulted in an overall attributable 83% shareholding to TOM. In the fourth quarter, these business units were physically relocated into a single office location in Taipei, further facilitating operational integration synergies in the area of office rental, back office support, paper procurement, printing and distribution channel management. July also saw Cité Publishing Holding securing a five year syndicated loan facility amounting to NT$1.9 billion (approximately HK$426 million). This has allowed the Publishing Group to become more financially independent and self-funded as it continues in its pursuit of operational and growth initiatives.

Operations Review – Sports Group

With SARS, many of the sports events scheduled in 2003 were either postponed or cancelled. These events included the debut of the China Open, which has now been postponed to September 2004, the Women's World Cup, with FIFA deciding to host the event away from China, and a number of collegiate sports championships. The division faced the challenge of adverse market conditions by expanding into new areas of opportunities, such as organizing the "Thailand Open", the first ever ATP tennis event in Thailand. Revenue for 2003 was at HK$252 million compared to HK$317 million in 2002. However, the Sports Group has managed to grow the segment profit before depreciation and amortisation to HK$77 million and segment profit to HK$73 million in 2003 compared to HK$62 million and HK$61 million respectively in 2002.

September saw the Thailand Open held in Bangkok with overwhelming response in terms of sponsorships, player participation and audience attendance. In December, twelve exhibition matches featuring Paradorn Srichaphan and seven other international top tennis players were held in three cities across Thailand, attracting 18 sponsors and approximately 24,000 in spectator attendance. It is intended that both the Thailand Open and Paradorn Super Tour will become regular annual events.

New commercial rights obtained included the exclusive representation of the China National Table Tennis Team and the China National Women Volleyball Team, and rights to a "Ryder Cup" style team competition, featuring Europe's top golfers against Asia's rising talent, to be held in December of 2004. Other rights included the Philips Inter-collegiate Football League and the National Bowling Championship.

The first China Open will be held in Beijing in September 2004, already attracting tremendous interests from potential sponsors, players and the general public. The Sports Group formed a joint venture with Beijing Youth Daily to market and promote the China Open, effectively combining the local advertising and client network resources of Beijing Youth Daily with the sports marketing expertise of TOM. The Sports Group aims to build the China Open into one of the world's most important tennis tournaments, while at the same time creating a platform that offers marketers unique and compelling brand building opportunities in Mainland China.

Operations Review – Television and Entertainment Group

The Television and Entertainment Group reported revenue of HK$176 million in 2003, compared to HK$63 million in 2002. The increase was primarily attributable to the full year consolidation of the audio and video products distribution business compared to only one quarter of consolidated result in 2002. Segment profit before depreciation and amortisation declined from a positive HK$1.7 million in 2002 to a slight loss of HK$5 million in 2003. With the consolidation of CETV, which was acquired in the third quarter of the year, the Television and Entertainment Group reported a segment loss of HK$32 million in 2003, increased from a segment loss of HK$0.5 million in 2002.

In September , the TOM Group completed the acquisition of a 64% interest in CETV, a twenty-four hour Putonghua satellite television channel dedicated to delivering general entertainment content to the Chinese audience. Its reach extends over 23 million households nationwide in Mainland China and was the first foreign broadcaster granted cable carriage landing rights in the Guangdong province. CETV is also carried on China's Central Platform allowing it controlled nationwide access. The channel offers mix of general entertainment programming, ranging from movies, dramas, variety and game shows, while also producing a certain amount through in-house productions.

The Television and Entertainment Group has now assumed Board and management control of CETV and is committed to turning around the operations and revamping the channel. A number of important restructuring initiatives have been undertaken since taking charge of the channel. The transmission and part of the post production function has already been migrated to the newly invested TOM Digital Media Center and is now fully digital in its internal operations; planning was started on the relocation of the current Hong Kong based operations to a new office in Shenzhen along with the setup of new sales and marketing offices in Guangzhou and Beijing; recruitment and placement of key management executives; cross-promotional and other operational synergies effected with other units of the TOM Group.

The Television and Entertainment Group's initial efforts have yielded some encouraging results. One of CETV's prime time dramas, *Dolphin Bay Lovers* and a special event *The 40th Golden Horse Award* received top ratings and were ranked within the top three among audiences in Guangzhou, Shenzhen and Shaoguan during their respective day-part segments. As at the end of 2003, CETV's ranking was ninth amongst all television channels in Guangzhou, a significant improvement from its number eighteen position in the prior year.

Ongoing efforts within operations include building a new sales and marketing organization, digitization of our current transmission and distribution, continued recruitment of local talent in Mainland China, ultimately with a view to increase the production volume of the channel's original programming. A major relaunch of CETV has been planned for the second half of 2004.

Financial Review

The following discussion and analysis of the TOM Group's financial position and results of operations should be read in conjunction with the Audited Consolidated Results and the related notes.

The TOM Group reports its results in five business segments: Internet Group, Outdoor Media Group, Publishing Group, Sports Group and Television and Entertainment Group.

REVENUE

The Group's revenue for the year ended 31 December 2003 amounted to HK$2,089 million, a 29% increase from HK$1,624 million in the previous year.

REVENUE MIX

The Publishing Group was the largest revenue contributor at 37%, with Internet Group contributing 28% and Outdoor Media Group, Sports Group and Television and Entertainment Group each contributing 14%, 12% and 9%.

In line with TOM Group's geographical focus, revenue generated in Mainland China represented 58% of total revenue, while operations in Taiwan and Hong Kong contributed 34% and 8%.

SEGMENTAL RESULTS

Internet Group's revenue more than doubled to HK$592 million with a segment profit of HK$133 million, compared to a revenue of HK$256 million and a segment loss of HK$91 million in 2002. The impressive result was led mainly by the tremendous success in the Internet Group's wireless value-added services. Operating result of the new acquisition in wireless IVR was consolidated for approximately one and a half month.

On 10 March and 11 March 2004, the shares of TOM Online were listed and traded on Nasdaq (in the form of America Depository Shares) in the United States of America and GEM, respectively by way of a global offering. TOM Online was a wholly-owned subsidiary of the Company immediately before the listings, whose primary business activities comprise the Company's PRC wireless value-added services, online advertising and commercial enterprise solutions.

Revenue of the Outdoor Media Group increased by 20% to HK$298 million from the previous year's HK$248 million, primarily due to the full year effect of acquisitions in the second and third quarter of 2002. However, segment profit of HK$27 million decreased from 2002's HK$44 million. This was attributable to the increased level of lower margin media buying and certain internal restructuring initiatives during the year.

For the Publishing Group, slight improvement in revenue was reported when compared to 2002. Revenue was HK$771 million and segment profit was HK$29 million in 2003 whereas revenue was HK$741 million and segment profit was HK$30 million in 2002.

With the cancellation of a number of sports events during the year due to SARS, the Sports Group reported revenue for 2003 at HK$252 million compared to HK$317 million in 2002. However, with an active refocus to other geographical area such as Thailand and the rapid recovery in the last quarter of the year, the Sports Group managed to grow segment profit to HK$73 million in 2003 from HK$61 million in 2002.

The Television and Entertainment Group reported a revenue of HK$176 million in 2003, compared to HK$63 million in 2002. The increase was primarily attributable to the full year consolidation of the audio and video products distribution business compared to a single-quarter of consolidated result in 2002. Segment loss was HK$32 million compared to HK$0.5 million last year. This included consolidation of the loss in CETV since mid September 2003.

OPERATING EXPENSES

The increase in operating expenses in 2003 reflects the expansion in our businesses as we continue to build and grow in each of the sectors we operate in and the effect of full year consolidation of acquisitions made during 2002. Consolidation of the operating results of CETV since mid September 2003 also contributed to the increase. Costs reengineering initiatives are being implemented aiming to refine CETV's cost structure.

The Group's operating expenses as a percentage of revenue was reduced from 45% to 39%, reflecting our continuous efforts in cost rationalization. Headquarter related expenses decreased by 5%. Overall, a well-managed and competitive cost base has been established ready to promote further revenue growth.

OPERATING PROFIT

The Group achieved an operating profit of HK$92 million, significantly improved from an operating loss of HK$106 million in 2002. The operating profit was a result of growth in higher margin revenue base and continued cost discipline. In addition, gross profit margin improved from 38% in 2002 to 42% in 2003.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The TOM Group has achieved its first profit attributable to shareholders of HK$13 million, compared to a loss of HK$410 million in 2002. This significant improvement primarily stems from the outstanding performance of the Group's Internet business, which turned from a segment loss of HK$91 million in 2002 to a segment profit of HK$133 million.

GROUP CAPITAL RESOURCES AND LIQUIDITY

The Group's total shareholder's funds increased to HK$1,619 million as at 31 December 2003 compared to HK$272 million in 2002.

During the year, a total of 106,395,859 ordinary shares were allotted and booked at prices ranging between HK$2.1 and HK$4.039 per share, which were the fair value calculated based on the average closing price quoted on the Stock Exchange for the calendar month immediately prior to the date of acquisition or the closing price quoted on the Stock Exchange at the date of acquisition, where applicable, as part of the considerations for the acquisition of subsidiaries.

On 3 July 2003, the TOM Group entered into the placing and subscription agreements for placing and allotment of 450,000,000 shares of the Company at a price of HK$2.3 per share for net proceeds of approximately HK$996 million. The completion of placing and subscription took place on 7 July 2003 and 8 July 2003 respectively.

The TOM Group generally finances its operations and investing activities with funds raised through the equity and debt market, internally generated cash flows, bank loans, and loans from substantial shareholders of the Company.

On 10 July 2003, the TOM Group entered into a NT$1.9 billion (approximately HK$426 million) syndicated revolving credit and term loan agreement with five financial institutions. The loan agreement represents the Group's first long term bank financing which will contribute to the Group's overall funding requirements and financial strength. As of 31 December 2003, the TOM Group had not utilized the facility.

On 28 November 2003, the TOM Group issued US$150 million (approximately HK$1.17 billion) 0.50 per cent. Guaranteed Convertible Bonds which is due in 2008. The convertible bonds are convertible into ordinary shares of the Company at any time from 8 January 2004 to 14 November 2008 at an initial conversion price of HK$3.315 per share, subject to adjustment. The convertible bonds are rated BB+ by Standard & Poors. The Group has taken advantage of the market window of opportunity for low cost financing, hence further strengthening the Group's financial position.

As at 31 December 2003, the TOM Group had bank and cash balances of HK$885 million as compared to HK$330 million as at 31 December 2002. During the year, the TOM Group generated net cash inflow of HK$69 million from its operations and utilized HK$125 million to finance its capital expenditures and investment projects. It is also the TOM Group's financial management policy to utilize cash, which does not have immediate use for the Group, to invest in liquid and high credit-rated listed debt securities for non-trading purposes to enhance the return on surplus cash. During the year, the TOM Group had invested in the listed debt securities of HK$1,482 million.

As at 31 December 2003, the TOM Group had bank and other borrowings (including the loans from substantial shareholders and outstanding under convertible bonds) totaling HK$2,056 million. The TOM Group's cash-to-borrowing ratio was 43% by the end of 2003, representing an increase of five percentage point from 2002.

As mentioned in section Segmental Results above, on 10 March and 11 March 2004, the shares of TOM Online, a wholly-owned subsidiary of the Company immediately before the listings, are listed and traded on Nasdaq (in the form of America Depository Shares) in the United States of America and GEM, respectively by way of a global offering. The Group's cash position, before exercise of over-allotment option, will be further improved by approximately HK$1,326 million arising from the net proceeds from the global offering.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

Certain TOM Group's assets are pledged to banks as security for general banking facilities granted to the TOM Group. As at 31 December 2003, the pledged assets of the TOM Group included bank deposits, cash and other assets totaling HK$28 million.

CONTINGENT LIABILITIES

Contingent liabilities amounted to approximately HK$9 million as at 31 December 2003.

EMPLOYEE INFORMATION

As at 31 December 2003, the TOM Group had 2,835 full-time employees. Employee costs, excluding Directors' emoluments, totaled HK$385 million (2002: HK$272 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the TOM Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the TOM Group's salary and bonus system which is reviewed annually. A wide range of benefits including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the TOM Group. Social, sporting and recreational activities were arranged during the year for the employees on a Group-wide basis.

TOM also adopted a share option scheme under which inter alia the employees of the TOM Group may be granted share options to subscribe for shares in TOM for the purposes of recognizing the contributions made by the employees of the TOM Group and retaining the services of the employees who will continue to make valuable contributions to the TOM Group.

AUDITED CONSOLIDATED RESULTS 2003

The Directors of TOM are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2003, together with comparative figures for the year ended 31 December 2002 as follows:

		For the year ended 31 December	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Turnover		**2,089,234**	1,624,126
Cost of sales		**(1,202,730)**	(1,008,400)
Interest income		**14,097**	5,867
Selling and marketing expenses		**(191,394)**	(170,205)
Administrative expenses		**(216,552)**	(235,174)
Other operating expenses		**(400,306)**	(322,406)
Operating profit/(loss)		**92,349**	(106,192)
Finance costs		**(19,919)**	(19,079)
Provision for impairment of goodwill		**–**	(197,108)
Share of losses of jointly controlled entities		**(6,387)**	(29,585)
Share of profits less losses of associated companies		**1,823**	20
Profit/(loss) before taxation		**67,866**	(351,944)
Taxation	3	**(12,399)**	(29,080)
Profit/(loss) after taxation		**55,467**	(381,024)
Minority interests		**(42,869)**	(28,555)
Profit/(loss) attributable to shareholders		**12,598**	(409,579)
Earnings/(loss) per share			
Basic	4	**HK0.35 cents**	HK(12.41) cents
Diluted		**HK0.35 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 ("HKSA"). They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 2.112 "Income taxes" (revised) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The adoption of this revised SSAP has no material effects on the Group's results.

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

2. Segment reporting

An analysis of the Group's turnover and results for the year by business segments is as follows:

	Year ended 31 December 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	**592,443**	**297,966**	**771,441**	**251,535**	**175,849**	**2,089,234**
Segment profit/(loss) before amortisation and depreciation	**191,590**	**67,197**	**70,890**	**76,747**	**(4,928)**	**401,496**
Amortisation and depreciation	**(58,140)**	**(40,434)**	**(41,928)**	**(3,776)**	**(27,570)**	**(171,848)**
Segment profit/(loss)	**133,450**	**26,763**	**28,962**	**72,971**	**(32,498)**	**229,648**
Unallocated costs						**(137,299)**
Operating profit						**92,349**
Finance costs						**(19,919)**
Share of losses of jointly controlled entities	**(6,387)**	**–**	**–**	**–**	**–**	**(6,387)**
Share of profits of associated companies	**29**	**–**	**1,794**	**–**	**–**	**1,823**
Profit before taxation						**67,866**
Taxation						**(12,399)**
Profit after taxation						**55,467**
Minority interests						**(42,869)**
Profit attributable to shareholders						**12,598**

	Year ended 31 December 2002					
	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	255,800	247,895	741,258	316,547	62,626	1,624,126
Segment profit/(loss) before amortisation and depreciation	(22,804)	77,285	70,484	62,343	1,669	188,977
Amortisation and depreciation	(68,438)	(33,236)	(40,779)	(1,446)	(2,163)	(146,062)
Segment profit/(loss)	(91,242)	44,049	29,705	60,897	(494)	42,915
Unallocated costs						(149,107)
Operating loss						(106,192)
Finance costs						(19,079)
Provision for impairment of goodwill	(100,100)	(67,008)	(30,000)	–	–	(197,108)
Share of losses of jointly controlled entities	(29,585)	–	–	–	–	(29,585)
Share of profits less losses of associated companies	(1,185)	–	1,205	–	–	20
Loss before taxation						(351,944)
Taxation						(29,080)
Loss after taxation						(381,024)
Minority interests						(28,555)
Loss attributable to shareholders						(409,579)

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

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

	Turnover		Segment profit/(loss)	
	Year ended 31 December		**Year ended 31 December**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**173,593**	137,068	**36,598**	300
Mainland China	**1,204,013**	796,685	**270,998**	99,744
Taiwan	**711,628**	690,373	**93,900**	88,933
	2,089,234	1,624,126	**401,496**	188,977
Amortisation and depreciation			**(171,848)**	(146,062)
Unallocated costs			**(137,299)**	(149,107)
Operating profit/(loss)			**92,349**	(106,192)

There are no significant sales between the geographical segments.

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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:

	Year ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax	**26**	6,098
Overseas taxation	**20,270**	40,302
Over-provision in prior years	**(1,661)**	(11,081)
Deferred taxation	**(6,236)**	(6,239)
	12,399	29,080

4. Earnings/(loss) per share

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK$12,598,000 (2002: loss of HK$409,579,000) and the weighted average of 3,583,805,272 (2002: 3,301,115,146) ordinary shares in issue during the year.

(b) Diluted

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the profit attributable to shareholders of HK$12,598,000 and the weighted average of 3,606,757,274 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares, as if all the outstanding share options granted by the Company had been exercised at the date of issuance and the consideration shares to be issued by the Company for the acquisition of subsidiaries has been issued at the date of acquisition. Since all potential ordinary shares arising from the convertible bonds, if converted into ordinary shares, would increase profit attributable to shareholders per share as a result of the savings on the interest and redemption premium payable and amortisation of borrowing costs, the effects of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per share.

The exercise of share options granted by the Company would have an anti-dilutive effect on the loss per share for the year ended 31 December 2002.

5. Dividends

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

6. Movement of reserve

	Share premium account	Capital reserve	Capital redemption reserve	General reserve	Exchange difference	Accumulated losses	Total
	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	84,280	–	–	–	–	–	84,280
Exercise of share options, net of issuing expenses	18,537	–	–	–	–	–	18,537
Loss for the year	–	–	–		–	(409,579)	(409,579)
Transfer to general reserve	–	–	–	204	–	(204)	–
Exchange difference	–	–	–	–	(255)	–	(255)
At 31 December 2002	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)

	Share premium account	Capital reserve	Capital redemption reserve	General reserve	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	321,025	–	–	–	–	–	–	321,025
Placement of shares, net of issuing expenses	951,045	–	–	–	–	–	–	951,045
Investment revaluation surplus	–	–	–	–	5,611	–	–	5,611
Profit for the year	–	–	–	–	–	–	12,598	12,598
Transfer to general reserve	–	–	–	15,201	–	–	(15,201)	-
Exchange difference	–	–	–	35	(1)	2,008	–	2,042
At 31 December 2003	3,605,986	(377)	776	15,579	5,610	1,206	(2,391,147)	1,237,633

BOARD PRACTICES AND PROCEDURES

TOM has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year, except that the non-executive Directors are not appointed for specific terms and are subject to re-election at the annual general meeting of TOM in accordance with the provisions of TOM's Articles of Association.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither TOM nor any of its subsidiaries purchased, sold or redeemed any of TOM's listed shares.

DEFINITIONS

"CETV"	means China Entertainment Television Broadcast Limited
"Directors"	means the directors of TOM
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on the GEM
"Greater China"	means Mainland China, Hong Kong, Macau and Taiwan
"LTWJi"	means Beijing Leitingwuji Network Technology Company Limited (北京雷霆無極網絡科技有限公司)
"Mainland China"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Nasdaq"	means Nasdaq National Market
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"TOM" or the "Company"	means TOM Group Limited (formerly TOM.COM LIMITED)
"TOM Group" or the "Group"	means TOM and its subsidiaries
"TOM Online"	means TOM Online Inc.

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* *for identification purpose*