TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8001)

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This announcement, for which the directors of TOM Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to TOM Group Limited. The directors of TOM Group Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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FIRST QUARTERLY RESULTS FOR 2004

HIGHLIGHTS

Key first quarter achievements include:

- 20% growth in revenue over the same period last year
- Expansion in profit margins, gross profit margin of 45% from 36% and EBITDA margin of 12% from 2% respectively over the same period last year
- TOM Online successfully listed on NASDAQ in the United States and GEM in Hong Kong
- HK$873 million deemed disposal gain arising from the listing of TOM Online
- TOM Online's revenue increased by 85% year-on-year
- Outdoor Media Group and Publishing Group registered 16% and 13% growth in revenue year-on-year with Sports Group reporting an increase in both gross profit and EBITDA margins to 44% and 24% despite a slight 6% decline in revenue year-on-year

The unaudited consolidated results for the three months ended 31 March 2004 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 Group Limited ("TOM" or the "Company") and its subsidiaries (collectively referred to as the "TOM Group" or the "Group") for the three months ended 31 March 2004.

Key first quarter achievements include:

- 20% growth in revenue over the same period last year
- Expansion in profit margins, gross profit margin of 45% from 36% and EBITDA margin of 12% from 2% respectively over the same period last year

- TOM Online successfully listed on NASDAQ in the United States and GEM in Hong Kong

- HK$873 million deemed disposal gain arising from the listing of TOM Online

- TOM Online's revenue increased by 85% year-on-year

- Outdoor Media Group and Publishing Group registered 16% and 13% growth in revenue year-on-year with Sports Group reporting an increase in both gross profit and EBITDA margins to 44% and 24% despite a slight 6% decline in revenue year-on-year

Financial Highlights

	For the three month period ended		
	31 March 2004	31 December 2003	31 March 2003
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**514,534**	693,077	428,294
Gross profit	**232,018**	310,646	152,219
Earnings before interest, taxation, depreciation and amortization	**61,935**	105,021	10,371
Deemed disposal gain	**873,367**	–	–
Provision for impairment of assets	**(82,731)**	–	–
Provision for contracts termination	**(134,315)**	–	–
Provision for other receivables	**(22,476)**	–	–
Profit/(loss) attributable to shareholders	**653,893**	26,822	(42,857)

Financial Performance

The TOM Group delivered strong growth in the first quarter of 2004 over the corresponding period in 2003. Unaudited consolidated revenue amounted to HK$515 million, an increase of 20% from HK$428 million during the same period last year. EBITDA was HK$62 million, representing an almost 6 times growth from HK$10 million in the first quarter last year. TOM Online's revenue increased by 85% year-on-year. Outdoor Media Group and Publishing Group revenues grew by 16% and 13% respectively, with revenue of Sports Group declining by 6%. Revenue from CETV amounted to HK$4 million for the first quarter of 2004.

The listing of TOM Online on the NASDAQ in the United States and GEM in Hong Kong resulted in a deemed disposal gain of HK$873 million for the Group. During the quarter, the Group also made provisions in relation to previously acquired businesses where performance has lagged management's expectations. In addition, CETV terminated an analogue transponder service contract in preparation for its migration to a digital transmission platform. These one-time provisions amounted to a total of HK$240 million.

The first quarter of the year is traditionally the low season for advertising, hence total revenue this quarter declined 26% when compared to last quarter. Despite the market seasonality, the Group has been able to deliver consistent growth and continue to generate profit attributable to shareholders.

Business Review

TOM Online

TOM Online reported revenue of US$26 million (approximately HK$202 million) representing 85% increase over the same period last year. EBITDA was US$10.6 million (approximately HK$82 million), delivering a 4 times growth from the same period in 2003, on a pro forma basis as set out in the financial statements of TOM Online. Margins continued to expand, gross margin increased to 52% from 38% and EBITDA margin grew to 41% from 19% for the same period in 2003.

Growth in wireless value-added services (WVAS) was the primary contributor to the strong performance, fueled by significant growth in both 2.5G and IVR services. Continuous expansion of sales network throughout the quarter increased presence and penetration of WVAS to cover more than 156 cities in 29 provinces throughout Mainland China. TOM Online is well positioned to further develop non-PC based distribution channels for the WVAS products and services through alliances with leading international mobile handset manufacturers such as Motorola and Nokia, and leading domestic manufacturers such as Bird and TCL. Additional partnerships and alliances were established to enhance WVAS content offerings, including an exclusive offering of wireless products and services related to the blockbuster *Lord of the Rings – Return of the King*, an exclusive agreement with The China Meteorological Administration to deliver updated weather forecasts to our users and adding EMI Music as an alliance partner. WVAS revenue accounted for 92% of total TOM Online revenue. Online advertising exhibited robust growth of almost 7 times compared with the same period last year, despite the traditional slow season for advertising, contributing approximately 5% of total revenue. Riding on the success of the WVAS platform, additional advertisers secured included telecommunications carriers, handset producers and consumer electronics manufacturers. A sales office was opened in Shanghai to expand geographic coverage in eastern China. Wang Lee Hom, a Greater China pop singer, was appointed as TOM Online's image ambassador and led a major marketing campaign in March throughout Beijing, Shanghai and Guangzhou.

Outdoor Media Group

The Outdoor Media Group reported revenue of HK$78 million and EBITDA of HK$17 million in the first quarter of 2004, compared to HK$67 million and HK$17 million in the first quarter of 2003. Gross margin and EBITDA margin were at 32% and 21%, declined from 35% and 26% respectively in the same period last year.

Whilst continuing to expand its nationwide network of billboards and unipoles, the Outdoor Media Group has been focusing on expanding its presence in the top tier cities of Beijing, Shanghai and Guangzhou. The respective media service centers have now been established as wholly owned subsidiaries providing dedicated nationwide total advertising services to advertisers in these top tier cities. Results have been encouraging, with contracts of approximately HK$30 million being secured in these three cities. In addition, an annual contract of approximately HK$40 million was secured with a multinational media agency for a nationwide outdoor placement campaign. Overall, more than 300 contracts were secured, with average term of one year, amounting to approximately HK$80 million in the first quarter. Major clients in the quarter included NEC, Samsung, Prime Square Technology, Honghe and a number of international advertising corporations. New concessions obtained in the quarter included approximately 9,000 square meters of outdoor asset space, in key locations across four provinces of Fujian, Guangdong, Shandong and Shanghai. The new capacity increase was primarily in the billboard and unipole category including the three largest billboards in Tianhe district of Guangzhou and the exclusive outdoor advertising rights for the Zhangzhao highway, the 150 miles route connecting Guangzhou and Fuzhou. Plans are in place to build upto 24 unipoles along this highway.

Publishing

The Publishing Group reported revenue of HK$198 million and EBITDA of HK$18 million in the first quarter of 2004, a 13% growth and an almost 3 times expansion over HK$176 million and HK$7 million in the same period in 2003. Gross margin and EBITDA margin expanded to 45% and 9%, from 44% and 4% respectively in the same period last year.

In January, the Publishing Group hosted the 12th annual Taipei International Book Exhibition ("TIBE"), the largest and most international publishing industry event in Taiwan. This was the first time the Publishing Group organized TIBE and it was extremely successful with participation of 925 publishers from 51 countries. The event lasted for 6 days exhibiting over 250,000 books and magazines while attracting over 400,000 visitors. Participated publishers benefited from increased sales and were able to maximize the marketing opportunity. The diversity and leadership positions of the Publishing Group's portfolio of publications were fully reflected through its eight exhibition booths, with publications covering eight different dynamic themes. New business developments included the acquisitions of 2 additional electronics and communication industry magazines, *Micro Electronics Magazine* and *Communication Components Magazine*, further strengthening the existing portfolio of publications and expanding into the professional publications area. An alliance was set up with a leading Japanese comics publisher DeAgostini to publish the comics series *Chinese History*. The Japanese partner will be providing funding while the Publishing Group will be responsible for history research and drafting of the actual comic series. The comic series will be published on a weekly basis depicting the Chinese history development from the Qin dynasty to the early 1900s. The Young Chinese Entrepreneur Award of 2003, organized by *Yazhou Zhoukan*, was held in January throughout Hong Kong, Taiwan and Singapore, awarding outstanding young Chinese entrepreneurs. The award celebrated the determination and outstanding achievements of young Chinese businessmen and businesswomen around the region in different professions. During the quarter, a total of 5 new magazines, primarily in the computer related and consumer electronics categories, and 387 new books were launched in Taiwan. A further 14 book titles, in the fiction, education and medical genres were licensed for production by Mainland publishers.

Sports

The Sports Group reported revenue of HK$25 million and EBITDA of HK$6 million in the first quarter of 2004, a modest decrease compared to HK$27 million in 2003 but a significant turnaround from a loss of HK$1 million in the same period in 2003. Gross margin and EBITDA margin improved considerably, delivering a gross margin of 44% compared to last year's 15% and an EBITDA margin of 24%, compared to an EBITDA loss last year.

The Sports Group successfully secured the perpetual rights to the Women's Tennis Association (WTA) license, adding onto its portfolio of tennis marketing rights of the Association of Tennis Professionals (ATP) China Open and Thailand Open. The Sports Group aims to turn the China Open into a major tennis event also encompassing women's tournaments under the

WTA license. This will be one of the most comprehensive tennis championships in Asia featuring top male and female players from around the world and offering one of the most attractive advertising opportunities for sponsors and marketers.

During the quarter, the Sports Group secured Samsung as an additional sponsor to the popular television program *Golf Magazine*. The Group continues to pursue a number of opportunities related to the 2008 Beijing Olympics and discussions are underway with several multinationals regarding sponsorship rights representation. At the beginning of March, the Sports Group staged 5 exhibition matches of the National Women Volleyball Team throughout the Guangdong province in the districts of Sanshui, Tianhe, Taishan and Xinhui. Also during the first quarter, exhibition matches between the National Table Tennis Team and the Korean National Table Tennis Team was held at Tianjin attracting over 10,000 audiences. Furthermore, the 4th annual Vinda National Bowling Championship was held in the cities of Shanyang, Jinan and Guangzhou during the months of January, February and March. In addition, a press conference was held in Beijing to promote the inaugural Champions Diving Tour. Gold medallists and top tier diving specialists from all over the world will be participating. The matches began in early April and will run through to the end of September.

Television & Entertainment

The Television and Entertainment Group reported revenue of HK$4 million and EBITDA loss of HK$18 million for the first quarter, compared to HK$47 million and EBITDA of HK$3 million in 2003. The Television and Entertainment Group comprised the operating results of CETV in the first quarter of 2004 whereas the results of the same period in 2003 reflected only the audio and video products distribution business.

CETV continued to expand its distribution and during the first quarter obtained further formal landing rights in Zhuhai, securing additional 300,000 households in the city. Total distribution now stands at an estimated 23 million households nationwide. Key management were brought onboard, including the Channel Controller, formerly Deputy Channel Controller of Hunan Economic TV, a pioneer in producing entertainment programming in China, and a new Vice President of Advertising Sales. In March, a roadshow was hosted in Guangzhou involving direct clients, advertising agencies and the media to preview the upcoming CETV programmes and to introduce various programming celebrities. New key advertisers in the first quarter included Biostime, Jiu Xin, Lohmann Haas Health, Procter & Gamble and Wrigley. In addition, CETV entered into new advertising agency presentations with two leading domestic agencies Rui Long and Hairun. New programmes in the first quarter included the debut of the in-house production *Co Co Cooks* featuring top model Co Co Chiang and the popular programme *The Winds of Change III*, delivering the latest lifestyle and fashion trends. Acquired programmes included the first exclusive broadcast of *20/30 Dictionary*, featuring well-known celebrities from Hong Kong, the top rated *The Monkey King, Quest for the Sutra* and other blockbuster movies from around the world such as *Stepmom, Bone Collector* and *The Devil's Own*.

In preparation to digitize the transmission and distribution platform later in the year, CETV terminated its analogue transponder agreement, and entered into a new digital service contract. A one-time termination charge of approximately HK$109 million was incurred for the early termination of the original agreement. Digitization will allow improved signal quality providing a more stable and enhanced transmission platform.

Business Outlook

With the successful spin-off and listing of TOM Online, which now operates as a separately listed company on NASDAQ in the United States and GEM in Hong Kong, going forward the TOM Group will continue to focus on key media segments. Major expansion plans for the Outdoor Media Group are being implemented to increase our presence in the top tier cities while increasing the capacity of our existing portfolio of outdoor assets. In Publishing, further efforts will be made to expand in the Mainland China market while continuing to grow the current Taiwan platform. In Sports, we will continue to focus on niche areas of sports where we have accumulated substantial experience while evaluating Olympic related opportunities. For CETV, the key is to drive for revenue growth, while continuously controlling costs and improving programming and distribution.

The announcement to list our shares on the Main Board of the Stock Exchange of Hong Kong on 8 April 2004 marks another milestone for the Group. Since listing on GEM in March 2000, the TOM Group has achieved significant growth and has established strong positions in each of its primary business segments. This is a step that would better reflect the true size and scale of the organization today while it will allow us to broaden our shareholder base. We believe that it will be beneficial to the future growth, financing flexibility and business development of the TOM Group.

Overall, I am confident that the Group's performance in the first quarter is keeping TOM on track to achieve its financial targets and hence deliver further growth and value to our shareholders.

Frank Sixt
Chairman

Hong Kong, 5 May 2004

UNAUDITED CONSOLIDATED RESULTS

For the three months ended 31 March 2004

		Three months ended 31 March	
			As restated
		2004	2003
	Note	***HK$'000***	*HK$'000*
Turnover	2	**514,534**	428,294
Cost of sales	2	**(282,516)**	(276,075)
Interest income		**15,972**	626
Selling and marketing expenses		**(52,795)**	(44,275)
Administrative expenses		**(61,322)**	(47,399)
Other operating expenses	6	**(97,811)**	(92,850)
Operating profit/(loss)		**36,062**	(31,679)
Finance costs		**(7,568)**	(4,980)
Deemed disposal gain	3	**873,367**	–
Provision for impairment of assets	4	**(82,731)**	–
Provision for contracts termination	5	**(134,315)**	–
Provision for other receivables		**(22,476)**	–
Share of losses of jointly controlled entities		**(295)**	(2,598)
Share of profits less losses of associated companies		**120**	308
Profit/(loss) before taxation		**662,164**	(38,949)
Taxation	7	**(9,391)**	(3,926)
Profit/(loss) after taxation		**652,773**	(42,875)
Minority interests		**1,120**	18
Profit/(loss) attributable to shareholders		**653,893**	(42,857)
Earnings/(loss) per share	8		
Basic		**HK16.86 cents**	HK(1.29)cents
Diluted		**HK15.49 cents**	N/A

Notes:

1. **BASIS OF PREPARATION OF THE ACCOUNTS**

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

2. **RESTATEMENT OF TURNOVER AND COST OF SALES**

   The Group's wireless value-added services are delivered to users through the wireless data platforms of the mobile telecommunications operators pursuant to revenue sharing agreements. In prior years, the Group reported these wireless value-added services revenues net of the revenues shared with the mobile telecommunications operators. In 2003, the Directors are of the opinion that it is more appropriate to adopt the gross basis of recognition of wireless value-added services revenues commencing from 1 January 2003. This change in recognition basis has no overall effect on the Group's results. To facilitate better comparison of year-on-year results, both turnover and cost of sales of first quarter 2003 have been restated and increased by HK$16,890,000.

3. **DEEMED DISPOSAL GAIN**

   On 10 March and 11 March 2004, the shares of TOM Online Inc., previously a wholly-owned subsidiary of the Company, were listed and traded on the National Market of National Automated Systems Dealership and Quotation, United States of America and the Growth Enterprise Market of the Stock Exchange, Hong Kong (the "Global Offering"). As a result of the Global Offering, the Company's shareholding in TOM Online Inc. has been diluted to 71.86%, which resulted in a gain of HK$873,367,000 arising from this deemed disposal.

4. **PROVISION FOR IMPAIRMENT OF ASSETS**

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

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

5. **PROVISION FOR CONTRACTS TERMINATION**

   In preparation for digitising China Entertainment Television Broadcast Limited ("CETV")'s transmission and distribution platform later in the year, CETV entered into a digital service contract in March 2004. Included in the provision for contracts termination is a one-time charge of approximately HK$109 million for the early termination of CETV's analogue transponder agreement.

6. **ACQUISITION OF PUCCINI AND ITS SUBSIDIARIES ("PUCCINI GROUP")**

   As the consideration for the acquisition of Puccini is contingent on the audited consolidated net profit of the Puccini Group for the year ending 31 December 2004, the Group has not recorded any consideration as cost of investments as of 31 March 2004 and therefore, no goodwill amortisation expenses in relation to the foresaid acquisition has been charged to the consolidated profit and loss account for the three months ended 31 March 2004.

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

7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Hong Kong profits tax	**100**	–
Overseas taxation	**8,491**	2,915
Deferred taxation	**800**	1,011
	9,391	3,926

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share for the three months ended 31 March 2004 is based on the unaudited profit attributable to shareholders of HK$653,893,000 (2003: loss of HK$42,857,000) and the weighted average of 3,878,261,817 (2003: 3,330,746,066) ordinary shares in issue during the periods.

(b) Diluted

The calculation of diluted earnings per share for the three months ended 31 March 2004 is based on the unaudited adjusted profit attributable to shareholders of HK$659,037,000, after adding back the borrowing costs of the convertible bonds, and the weighted average of 4,254,754,901 ordinary shares issued and issuable after adjusting for the effects of all dilutive potential ordinary shares, as if the outstanding share options, consideration shares for acquisition of subsidiaries and convertible bonds issued by the Company had been exercised, issued or converted into ordinary shares at the date of issuance.

The exercise of share options granted and the issuance of consideration shares by the Company would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2003.

9. DIVIDENDS

No dividend had been paid or declared by the Company during the period (2003: HK$Nil).

10. MOVEMENT OF RESERVES

	Share premium account *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	General reserve *HK$'000*	Exchange difference *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2003	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	49,485	–	–	–	–	–	49,485
Loss for the period	–	–	–	–	–	(42,857)	(42,857)
Transfer to general reserve	–	–	–	4,613	–	(4,613)	–
Exchange difference	–	–	–	–	51	–	51
At 31 March 2003	2,383,401	(377)	776	4,956	(751)	(2,436,014)	(48,009)

	Share premium account *HK$'000*	Capital reserve *HK$'000*	Capital redemption reserve *HK$'000*	General reserve *HK$'000*	Revaluation reserve *HK$'000*	Exchange difference *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2004	3,605,986	(377)	776	15,579	5,610	1,206	(2,391,147)	1,237,633
Investment revaluation surplus	–	–	–	–	27,561	–	–	27,561
Profit for the period	–	–	–	–	–	–	653,893	653,893
Transfer to general reserve	–	–	–	61,558	–	–	(61,558)	–
Exchange difference	–	–	–	88	(62)	4,794	–	4,820
At 31 March 2004	3,605,986	(377)	776	77,225	33,109	6,000	(1,798,812)	1,923,907

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2004, 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 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
"Mainland China"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"NASDAQ"	means National Market of National Automated Systems Dealership and Quotation
"TOM" or the "Company"	means TOM Group Limited
"TOM Group" or the "Group"	means TOM and its subsidiaries
"TOM Online"	means TOM Online Inc.
"WVAS"	means Wireless Value-Added Services

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

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.

* *for identification purpose*