TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2383)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

CHAIRMAN'S STATEMENT

In 2008, TOM Group revenues were HK$2,728 million for the year, representing a 2% growth over last year. Operating loss was HK$1,368 million and loss attributable to shareholders was HK$1,394 million (HK35.82 cents per share).

The operating loss for the year included a one time non-cash impairment charge of HK$1,250 million against the Group's carrying-value of certain earlier generation wireless assets. This charge reflects a conservative judgment as to the future value of these assets given the rapid evolution of business models in the industry and the overall decline in industry valuations in the current economic climate.

However, despite the exceptional challenges of 2008 for all our businesses, the new management team successfully implemented strict measures to improve capital and operational efficiency, including introducing a device and operator agnostic platform in the Internet Group to defend our leading position in the telecommunications industry in a rapidly changing technological environment. As a result, net cash inflow from operating activities grew 78% to HK$173 million.

The Internet Group reported revenues of HK$1,067 million in 2008, a slight drop of 2% compared to last year's HK$1,085 million. This drop was compensated by improved operating efficiency increasing segment profit 5-fold to HK$63 million from HK$10 million last year. The Group also established important new strategic alliances with an array of premium industry partners including the NBA and the China Post Group, which are expected to add significantly to the Group's offerings in the wireless, internet and e-commerce arena.

The Publishing Group reported revenues of HK$1,012 million for 2008, a steady growth of 7%. Segment operating profit rose to HK$96 million from HK$92 million last year. On a comparable basis (excluding certain one-off gains totaling HK$14 million recognized in 2007) segment profit increased by 23% in 2008.

Revenues of the Outdoor Media Group were HK$465 million in 2008, a growth of 6% as compared to HK$440 million in 2007. Segment loss was HK$75 million including one-off termination costs for the operating rights of under performing assets and write-offs of demolished media properties in certain cities.

CETV's operations were adversely impacted by limitations on its signal landing rights in Shenzhen and the general reduction of corporate advertising spending in the second-half due to the deteriorating economic climate. Revenues of the Television and Entertainment Group for the year dropped 12% to HK$187 million. Management has successfully worked closely with the relevant authorities with resumption of coverage in certain areas and has also expanded CETV's footprint via broadcasting on internet and wireless, giving its audience a more comprehensive and interactive viewing experience. CETV will also further strengthen its content offerings with popular and quality programs via cooperation with local and overseas media partners. These measures should position CETV for healthy growth in future as economic conditions ease.

Going forward, China's issuance of 3G licenses provides new opportunities to the Group. With the Group's open platform, exclusive and licensed tools and technology and premium content, it is positioned to capture this market opportunity.

2008 was a year marked by increasing global financial turmoil and challenging conditions in all our businesses. Our staff and management have shown perseverance and strength in meeting the challenges and positioning the Group for the future. I believe the Group is well placed to grow shareholder value going forward as economic conditions improve. I would like to take the opportunity to thank the management and all the staff of the Group for their continuing professionalism, creativity, hard work and loyal dedication over the past year.

Frank Sixt
Chairman

Hong Kong, 25 March 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The operating environment was exceptionally challenging in 2008 underpinned by successive natural disasters in the Mainland and the deepening global financial crisis. Nevertheless, the Group implemented strict measures to improve capital and operational efficiency across our business units. As a result, net cash inflow from operating activities reported significant growth of 78% over 2007 to HK$173 million.

Moreover, in view of the rapidly changing technological environment and to defend our leading position in the telecommunications industry, the Group has also introduced a device and operator agnostic platform in the Internet Group to unlock user benefits with unique tools and widgets.

To reflect the Group's strategy going forward in the mobile internet field and the overall decline in industry valuations in the current economic climate, a one-off non-cash provision was made. The provision related mainly to the Group's carrying-value of certain earlier generation wireless assets that contributed value but which no longer match current technological trends and the Group's prevailing operating model. This action is a conservative judgment as to the future value of these assets given the rapid evolution of business models in the industry. It more accurately reflects the Group's strategy and performance going forward and is necessary in order to position the Group for healthy growth.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2008 HK$'000	(as restated) 31 December 2007 HK$'000
Revenues	2,728,033	2,682,615
Net cash inflow from operating activities	172,813	97,279
Operating loss# before one-off/non-cash items*	(118,183)	(67,954)
Operating loss# after one-off/non-cash items	(1,367,755)	(231,651)
Loss attributable to shareholders	(1,394,429)	(331,105)
Loss per share from continuing operations (HK cents)	(35.82)	(8.27)

 # including share of results of associated companies and jointly controlled entities
** before provision for impairment of goodwill and other assets of HK$1,250 million (2007: HK$164 million)*

The Group's revenues amounted to HK$2,728 million for the year ended 31 December 2008, representing a 2% growth as compared with that in 2007. The operating loss of the Group, before impairment of goodwill and other assets, was HK$118 million in 2008, as compared with HK$68 million last year. Taking into account the one-off non-cash provision of HK$1,250 million, which mainly includes a provision for goodwill on investment in Beijing Bo Xun Rong Tong Information Technology Company Limited of HK$472 million, and a provision for goodwill on certain previously acquired assets in the wireless business of HK$726 million (2007: HK$164 million), loss attributable to shareholders was HK$1,394 million in 2008, as compared to HK$331 million in 2007. The loss per share for the year ended 31 December 2008 was HK35.82 cents.

BUSINESS AND OPERATION REVIEW

Affected by the worldwide sweeping effects of the financial tsunami, the overall advertising market saw a significant downturn in the fourth quarter of 2008. This was further impacted by successive natural disasters and new regulatory measures imposed on our businesses in the Mainland. Notwithstanding the harsh external operating environment, the management has during the year, implemented tough but effective measures in improving the operational efficiency of its various business units while at the same time driving business innovation and growth. These changes will place the Group on path towards profitability and healthy growth.

INTERNET GROUP – Product innovation and operational efficiency

The Internet Group reported revenues of HK$1,067 million in 2008, a slight drop of 2% as compared to last year's HK$1,085 million. The drop was compensated by improved operational efficiency, increasing segment profit by 550% from last year's HK$10 million to HK$63 million this year.

Over the past year, significant changes and new initiatives have been undertaken by the Internet Group. In early 2008, the revamping of our portal into a tool and user-centric widgetised open platform has resulted in traffic increase by over 300% while content and marketing expenses reduced by 58% and 62% respectively in 2008. Coupled with other streamlining activities, total operating expenses of the Internet Group has been reduced by 26% in 2008. The Alexa ranking of www.tom.com has gone up to 15th from 35th by the end of 2008.

TOM Eachnet has reduced its share of losses by 27% to HK$76 million in 2008. This was mainly attributable to the continuous optimisation on key operations metrics. During the period, Eachnet introduced several new and innovative services including optimised search, overseas buying, a seller incubation programme and loyalty points. Six months after the launch of the overseas buying programme "US Direct" in June 2008, monthly transaction volume surged three- to fivefold. Average spending per person for the overseas buying programme was between RMB2,000 and RMB3,000, which is 20 times more than on average domestic e-commerce platforms in Mainland China. Maximum spending per transaction was as high as RMB70,000, reflecting Eachnet's reputation for trustworthiness and reliability amongst consumers in the Mainland. Going forward, Eachnet will continue to introduce innovative services and expand its distribution channels to boost traffic and transaction.

To bring the latest technology, tools and premium content onto our open platform for our users, we have established important new strategic alliances with premium local and overseas partners during the year, which are expected to add significantly to the Group's offerings in the wireless, internet and e-commerce arena.

In the second quarter of 2008, we partnered with Stardoll to introduce a premier fashion entertainment online community to the Chinese audience on our platform with enhanced interactivity and more user generated content tailored to the young and trendy users.

In September 2008, TOM has entered into an exclusive agreement with the NBA to operate its official site in China and become the Official Internet Website Partner of the NBA in Greater China. Since we took over and re-launched the website in October 2008, the number of unique visitors has doubled, and with the introduction of live games broadcast and interactive and innovative user features. The improved user experience and premium platform adds value to both TOM's users and advertisers.

In February 2009, the Group entered into a cooperation agreement with the China Post Group to jointly develop e-commerce opportunities in Mainland China. The China Post Group possesses a nation-wide distribution network that is well-supported by sophisticated and reliable logistics infrastructure and an extensive network of postal savings banks. Leveraging TOM's media platform from TV to publishing, our e-commerce experience in the Eachnet operation and our technology strength and huge user base, we will enable users to experience a trustworthy, reliable, and all-rounded superior service from online, mobile to offline.

The year of 2008 witnessed major policy changes in China's telecommunication industry. Following the issuance of 3G licenses during the latter part of the year, major telecommunication operators in China are expected to invest heavily and launch aggressive marketing campaigns to attract users and gain market share. As one of the largest wireless internet service providers in China, we are well-equipped with a wide range of quality products, operational expertise and infrastructure to collaborate with content and technology partners and to work closely with telecommunication operators to launch new services and seize the 3G and broadband market opportunities.

PUBLISHING GROUP – Steady performance despite market volatility

Despite the deteriorating business environment and the increase in paper cost of over 17% during the year, the Publishing Group in Taiwan was able to report steady growth in both revenues and profit margin. Revenues of HK$1,012 million for 2008, a growth of 7% over 2007's HK$948 million. Segment operating profit of the Publishing Group increased by 5% to HK$96 million in this year from HK$92 million last year. Excluding certain one-off gains (such as the gain on disposal of Mingpao shares and write back of certain over-provisions from past years) totaling HK$14 million recognised in 2007, the segment profit in 2008 increased by 23%.

With a continual drive for operational excellence and a very experienced local management team, the Publishing Group has successfully weathered through this challenging and competitive environment and held on to its market share.

Improved profitability of book publishing was attributable to the concerted effort by the management in continuously refining the title selection process and quality control. With a stringent and high quality control on the selection of bestsellers for publication, the print volume of new titles issued by the Publishing Group has decreased by 2% in 2008 as compared with 2007, but the net sales volume of books increased by 14% during the year. The health book "Dr. Tom Wu's Principles of Natural Cure", first published in March 2008, reached a total sales volume of over 590,000 copies by the end of 2008. Recently, the novel "Twilight" and its sequel "New Moon" also reported a total print volume of over 230,000 copies as of January 2009. Similar encouraging sales performances are expected when the third and fourth instalments of the "Twilight" series are released in 2009.

The magazine business continued to report satisfactory performance in 2008, with the number of subscribers in Taiwan increasing by about 4% over the previous year. Advertising revenues of the magazines maintained steady growth at about 5% in 2008 as compared with 2007 despite the worsening economic and business environment since the second half of 2008. *Business Weekly*, the flagship magazine published by the group in Taiwan won the SOPA Awards for "Excellence in Feature Writing", "Excellence in Reporting Breaking News", and "Excellence in Magazine Design" in 2008. The magazine also received the "News In-depth Reporting Award" from the Vivian Wu Journalism Award, "Excellent News Coverage Award" in the print media category of the Excellent Journalism Award and "Award for Editorial Excellence" in magazine category of the 32nd Golden Tripod Awards.

Pixnet (www.pixnet.net), a leading social networking website in Taiwan, has continued to show satisfactory growth during the past year and has integrated closely with the Group to become an online promotion and publishing platform. A system upgrade was completed in mid-2008 resulting in further improvement of platform performance and saw a significant increase in user stickiness. Pixnet now ranks 2nd among popular social networking websites in Taiwan. The Alexa ranking of Pixnet in terms of traffic amongst all websites in Taiwan has gone up from 59th in February 2007 (when acquired by TOM) to 21st by end of 2007 and it was further raised to 12th by end of 2008. The number of registered members has grown nearly 50% as compared with the level at the beginning of the year. Riding on the strong technological support and resources of TOM Group, Pixnet will develop more new services and increase synergies within the Publishing Group.

Leveraging our extensive distribution network and influential market position, the local management team will be able to lead the division through this volatile financial environment and will continue to deliver superior performance and sustain profitability for TOM Group.

OUTDOOR MEDIA GROUP – Restructure asset portfolio to regain growth momentum

OMG was operating under arduous pressure in a tough economic environment in 2008. Revenues of the Outdoor Media Group ("OMG") were HK$465 million in 2008, a growth of 6% as compared to HK$440 million in 2007. Segment loss amounted to HK$75 million, versus profit of HK$15 million the year before.

Early in the year, successive natural disasters in Mainland China significantly affected business operations in certain regions. The sluggish economic condition during the year, particularly in the real estate and financial sectors, coupled with the financial tsunami in the fourth quarter of 2008, has caused advertisers to become conservative with respect to marketing initiatives. In addition, government authorities in many second and third tier cities in Mainland China have commenced various city planning and restructuring exercises and have demolished some of OMG's media assets in Kunming, Liaoning and Chongqing. This has resulted in write-offs of corresponding media assets during the year. Moreover, most of the new media assets in those cities are now subject to formal auction bidding process and this has driven up the overall costs of media assets of OMG significantly.

During the year, OMG has undergone a restructuring exercise and the new management team took a number of resolute measures to restore healthy growth momentum to the group. A thorough examination and review of the existing media assets portfolio was made. Under performing assets and projects were identified and discontinued during the year with one-off termination costs. These assets were either located at unfavorable areas or carried a cost that exceeded the current market level. Such actions were necessary to promote a healthier growth in the future. This strategy has already started to show positive contributions to the operational efficiency of OMG. The average revenue-per-unit area of self-owned/leased media assets improved by 20% in 2008 as compared with 2007.

OMG continued to optimise its media assets portfolio by acquiring premium and higher margin categories in leading second tier cities. During the second half of the year, OMG acquired over 140 media assets units including billboards, unipoles and light boxes in Fuzhou Airport with a total media asset space of over 3,500 square metres. This project is expected to bring in new revenues to OMG in 2009. Leveraging the strong sales and operational capability of the local management, OMG will work closely with TOM's other business divisions to create new products and further improve performance in 2009.

Furthermore, a Key Client Service Centre with a designated sales force has been set up in OMG headquarter during the year, focusing on developing business opportunities and offering key national and global clients with tailored and integrated advertising solutions.

With the imposition of stringent quality and performance control over the media assets portfolio, a strengthened and designated sales force for major clients, and the continuous focus on sourcing and developing high quality and technology based media products, the management is repositioning OMG for improved performance and growth.

TELEVISION AND ENTERTAINMENT GROUP – Integrated media platform with premium contents

Gross revenues of the Television and Entertainment Group were HK$187 million, a drop of 12% as compared to last year's HK$211 million. Segment loss was HK$58 million, versus last year's HK$29 million, which had excluded a one-off gain on disposal of shares of Huayi Brothers of HK$19 million in 2007.

CETV's operations were adversely impacted by limitations on its signal landing rights in Shenzhen. In addition, natural disasters in China and the deteriorating economic climate have caused a general reduction of corporate advertising spending in the second-half, which severely affected the group's performance in 2008.

The management has undertaken a series of measures to improve performance. Certain under-performing businesses were terminated during the year. CETV will continue to streamline its operation to improve efficiency.

During the year, management has been working closely with the relevant authorities to resume coverage in certain areas. To expand its footprint, CETV is also working with TOM's Internet

Group to launch live online and wireless broadcasting on the www.tom.com platform. This will not only help extend the reach of CETV tremendously through a seamless online and wireless network, but will also provide a comprehensive and interactive viewing experience for our audience and offer our customers innovative and integrated advertising solutions.

To further strengthen its content offerings, CETV will continue to focus on securing all kinds of premium content, such as “Ms. No good”, the first-run hot Taiwan dramas which was shown in December 2008, and various interactive programmes and premium talk shows. We will also cooperate with local and overseas media partners to introduce a variety of unique entertainment and infotainment programmes. For example, recently, CETV has teamed up with Gala Television Corporation in Taiwan and NationTainment Corporation, publisher of various magazines in the Mainland, to produce an infotainment programme at CETV, delivering first-hand entertainment news from Taiwan including exclusive interviews of artists and cover stories via a TV magazine format. The production is an integration of various media resources from TV to print media and across Mainland China, Taiwan and Hong Kong aimed at providing audience with premium and comprehensive entertainment content through TV, via mobile or online.

YC, the marketing arm of the Group, continues to play a significant role in cross-selling relevant products and services of all of TOM’s business groups. Riding on the success of the innovative and first-of-its-kind “Nokia Experience Van” project in 2007, YC has successfully expanded the event model to other global customers such as Pepsi in 2008, and has become the preferred marketing partner of many multinationals in Mainland China.

FINANCIAL REVIEW

The TOM Group reports its results in four business segments namely Internet Group, Publishing Group, Outdoor Media group as well as Television & Entertainment Group.

Revenue

The Group’s revenue for the year ended 31 December 2008 amounted to HK$2,728 million, an increase of 1.7% compared with the previous year of HK$2,683 million.

Segmental Results

The Internet Group reported gross revenues of HK$1,067 million compared to last year’s HK$1,085 million. Segment profit was HK$63 million versus last year’s HK$10 million. Segment profit margin for the year was 5.9% compared with last year’s 0.9%.

Gross revenues of Publishing Group increased by 6.8% to HK$1,012 million compared with last year’s HK$948 million. Segment profit increased by 4.5% to HK$96 million versus HK$92 million in 2007. Segment profit margin decreased slightly from last year’s 9.7% to 9.5%.

The Outdoor Media Group reported gross revenues of HK$465 million, a growth of 5.6% compared to last year’s HK$440 million. Segment loss was HK$75 million versus last year’s profit of HK$15 million.

Gross revenues of the Television & Entertainment Group was HK$187 million, versus last year’s HK$211 million. Segment loss was HK$58 million, compared with last year’s HK$10 million.

Operating Expenses

The operating expenses of the Group during the year under review decreased by 2.0% to HK$883 million as compared to HK$901 million in year 2007, as a result of the Group’s ongoing cost control measures.

Operating Loss

The Group’s operating loss for the year amounted to HK$1,368 million, compared with last year’s HK$232 million. Excluding the impacts by the provision for impairment of goodwill and other assets of HK$1,250 million (2007: HK$164 million), the operating loss was HK$118 million, versus HK$68 million in last year.

Loss Attributable to Shareholders

The Group's loss attributable to shareholders was HK$1,394 million, compared to HK$331 million in year 2007.

Liquidity and Financial Resources

As at 31 December 2008, TOM Group had bank and cash balances, including pledged deposits, of approximately HK$1,331 million and listed debt securities of approximately HK$393 million which were pledged to secure bank loan facilities of the Group. A total of HK$2,847 million financing facilities were available, of which HK$2,354 million had been drawn down as at 31 December 2008, to finance the Group's acquisitions, repayment of convertible bonds, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK$2,354 million as at 31 December 2008. This included long-term bank loans of approximately HK$845 million and short-term bank and other loans of approximately HK$1,509 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 51% as at 31 December 2008, as compared to 53% as at 31 December 2007.

As at 31 December 2008, the Group had net current liabilities of approximately HK$436 million, as compared to HK$233 million as at 31 December 2007. In March 2009, the Group has accepted offers from two financial institutions for two 3-year term loans totalling approximately HK$790 million. These loans are to be guaranteed by the Group's major shareholders. Based on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future.

As at 31 December 2008, the current ratio of TOM Group was 0.86 compared to 0.95 at 31 December 2007.

In year 2008, the Group generated net cash of HK$173 million from its operating activities, as compared to HK$97 million in the year 2007. Net cash from investing activities was HK$1,046 million, which mainly included the proceed of HK$1,170 million from the sales/maturity of available-for-sale financial assets, partly offset by the capital expenditures of HK$137 million. During the year, the net cash outflow from financing activities amounted to HK$1,718 million, included in which was mainly the repayment of convertible bonds and bank loans, net of new drawn downs, of HK$1,664 million and dividend paid to minority shareholders of HK$72 million.

Charges on Group Assets

As at 31 December 2008, the Group had listed debt securities with a market value of approximately HK$393 million pledged to banks for securing bank loans and the amount drawn down by the Group was HK$354 million.

Foreign Exchange Exposure

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

Contingent Liabilities

In September 2008, a subsidiary of the Group in Taiwan received a revised income tax assessment for the year ended 31 December 2004 from the local tax authority. In this revised tax assessment, the tax authority claimed that an amortisation of intangible assets amounting to approximately NT$44 million (approximately HK$10 million) was not deductible from the assessable profits of the subsidiary in 2004. This gave rise to a potential additional income tax liability to the Group of approximately NT$11 million (approximately HK$3 million).

The subsidiary has engaged and consulted with an external tax representative on this matter. Based on the consultation, management considers that the amortisation of intangible assets should be tax deductible under the tax rules in Taiwan. Accordingly, the subsidiary has filed an appeal to the tax authority and requested for a re-examination of the deductibility of the amortisation charge from the assessable profit of the subsidiary in 2004. Up to the date of these accounts, the appeal is still pending and no results have been finalised.

Should the tax appeal by the subsidiary be turned down finally, the subsidiary's income tax assessments for each of the years from 2005 to 2008 would also be revised on a similar basis as that of year 2004. The total incremental tax liability to the Group thereon is approximately NT$155 million (approximately HK$36.6 million). Nevertheless, based on the consultation with the tax representative, management considers that the amortisation charge should be tax deductible under the tax rules in Taiwan and so no provision for such potential tax liability has been made in the Group's consolidated accounts for the year ended 31 December 2008.

Employee Information

As at 31 December 2008, TOM Group had 3,314 full-time employees. Employee costs and stock option costs, excluding Directors' emoluments, totalled HK$570 million for the year (2007: HK$551 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 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.

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

Disclaimer:
Non-GAAP measures
Certain non-GAAP (generally accepted accounting principles) measures, such as operating profit/(loss) including share of results of associated companies and jointly controlled entities and segment profit/(loss) excluding provision for impairment charges, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

AUDITED CONSOLIDATED RESULTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000 (As restated)
Continuing operations			
Turnover	3	2,728,033	2,682,615
Cost of sales	5	(1,900,208)	(1,762,975)
Selling and marketing expenses	5	(291,056)	(332,023)
Administrative expenses	5	(200,550)	(230,552)
Other operating expenses	5	(346,723)	(330,897)
Other gains/(losses)	5	(44,243)	(7,493)
Provision for impairment of goodwill and other assets	4	(1,249,572)	(163,697)
Share of losses of jointly controlled entities		(76,683)	(104,303)
Share of profits less losses of associated companies		13,247	17,674
		(1,367,755)	(231,651)
Finance income	6	57,379	93,990
Finance costs	6	(126,800)	(172,164)
Finance costs, net	6	(69,421)	(78,174)
Loss before taxation		(1,437,176)	(309,825)
Taxation	7	(37,625)	(49,603)
Loss for the year from continuing operations		(1,474,801)	(359,428)
Discontinued operations			
Loss for the year from discontinued operations		-	(9,047)
Loss for the year		(1,474,801)	(368,475)
Attributable to:			
Minority interests		(80,372)	(37,370)
Equity holders of the Company		(1,394,429)	(331,105)
Loss per share for loss from continuing operations attributable to the equity holders of the Company during the year	9		
Basic and diluted		HK(35.82) cents	HK(8.27) cents
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the year	9		
Basic and diluted		-	HK(0.23) cents

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets		202,152	250,887
Goodwill		2,634,940	3,663,060
Other intangible assets		66,897	60,210
Interests in jointly controlled entities		(87,904)	(86,856)
Interests in associated companies		231,388	233,139
Available-for-sale financial assets		30,147	422,150
Advance to an investee company		2,165	2,145
Deferred tax assets		51,843	54,099
Other non-current assets		6,360	15,804
		3,137,988	4,614,638
Current assets			
Available-for-sale financial assets		392,916	1,169,266
Inventories		118,399	126,924
Trade and other receivables	10	898,428	1,009,038
Restricted cash		2,171	20,176
Cash and cash equivalents		1,328,813	1,828,396
		2,740,727	4,153,800
Current liabilities			
Trade and other payables	11	1,180,610	1,147,564
Taxation payable		36,840	56,484
Long-term bank loans - current portion		449,533	466,260
Short-term bank and other loans		1,509,381	2,515,998
Convertible bonds		-	200,138
		3,176,364	4,386,444
Net current liabilities		(435,637)	(232,644)
Total assets less current liabilities		2,702,351	4,381,994
Non-current liabilities			
Deferred tax liabilities		14,919	14,632
Non-current portion of long-term bank loans		395,474	837,674
Pension obligation		29,644	31,302
		440,037	883,608
Net assets		2,262,314	3,498,386
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		389,328	389,328
Reserves	12	1,309,310	2,427,522
Own shares held		(6,244)	(6,244)
Shareholders' funds		1,692,394	2,810,606
Minority interests		569,920	687,780
Total equity		2,262,314	3,498,386

1. Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The consolidated accounts have been prepared under the historical cost convention except that available-for-sale financial assets are stated at fair value, unless fair value cannot be reliably measured.

As at 31 December 2008, the Group had net current liabilities of approximately HK$436 million, as compared with HK$233 million as at 31 December 2007. In response to the current financial conditions, the Group has been exploring various means of obtaining additional financing. In March 2009, the Group has accepted offers from two financial institutions for two 3-year term loans totalling approximately HK$790 million. These loans are to be guaranteed by the Group's major shareholders. Currently, the Group is still negotiating with various other financial institutions on granting additional facilities to strengthen the Group's financial position. Based on this and taking into account the expected operating cash inflow of the Group, the directors believe that the Group has sufficient financial resources to meet its liabilities as and when they fall due for the foreseeable future and the Group will be able to continue as a going concern. Consequently, the accounts have been prepared on a going concern basis.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

In the current year, the Group has applied the following interpretation issued by the HKICPA which is relevant to the Group:

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The application of the above interpretation had no impact on the Group's financial statements.

2. Segment reporting

Primary reporting format - business segments

The Group is organised into the following business segments:

Continuing operations

- Internet Group - provision of wireless internet services, online advertising, commercial enterprise solutions, and internet access.

- Publishing Group - magazine and book circulation, sales of publication advertising and other related products.

- Outdoor Media Group - advertising sales of outdoor media assets and provision of outdoor media services.

- Television and Entertainment Group - advertising sales in relation to satellite television channel operations, provision of broadcasting post production and event production and marketing services.

Discontinued operations

- Sports Group - event organisation, advertising and sponsorship sales in relation to sports events and programmes.

Since 1 January 2007, the Sports Group has ceased to participate in or organise any sports events.

Secondary reporting format - geographical segments

The Group's business segments are operated in three main geographical areas:

Hong Kong - Internet Group, Publishing Group and Television and Entertainment Group

Mainland China - Internet Group, Publishing Group, Outdoor Media Group,
Television and Entertainment Group and Sports Group (discontinued)

Taiwan and other Asian countries - Publishing Group

3. Turnover, revenue and segment information

Primary reporting format - business segments

The segment results for the year ended 31 December 2008 are as follows:

	Year ended 31 December 2008						
	Continuing operations					Discontinued operations	
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Sub-total HK$'000	Sports group HK$'000	Total HK$'000
Total gross segment turnover	1,066,690	1,011,734	464,722	186,609	2,729,755	-	2,729,755
Inter-segment turnover	-	-	-	(1,722)	(1,722)	-	(1,722)
Turnover	1,066,690	1,011,734	464,722	184,887	2,728,033	-	2,728,033
Segment profit/(loss) before amortisation and depreciation	121,505	171,347	(23,874)	(35,328)	233,650	-	233,650
Amortisation and depreciation	(58,268)	(75,420)	(51,495)	(22,403)	(207,586)	-	(207,586)
Segment profit/(loss) before impairment charges	63,237	95,927	(75,369)	(57,731)	26,064	-	26,064
Provision for impairment of goodwill and other assets	(1,198,177)	-	(37,164)	(14,231)	(1,249,572)	-	(1,249,572)
Segment profit/(loss) after impairment charges	(1,134,940)	95,927	(112,533)	(71,962)	(1,223,508)	-	(1,223,508)
Share of losses of jointly controlled entities	(76,683)	-	-	-	(76,683)	-	(76,683)
Share of profits less losses of associated companies	595	12,652	-	-	13,247	-	13,247
Unallocated (costs)/income, net					(80,811)	-	(80,811)
					(1,367,755)	-	(1,367,755)
Finance costs, net					(69,421)	-	(69,421)
Loss before taxation					(1,437,176)	-	(1,437,176)
Taxation					(37,625)	-	(37,625)
Loss for the year					(1,474,801)	-	(1,474,801)

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year ended are as follows:

	As at / For the year ended 31 December 2008				
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Total HK$'000
Segment assets	3,386,401	1,162,201	969,931	164,301	5,682,834
Interests in jointly controlled entities	(87,904)	-	-	-	(87,904)
Interests in associated companies	3,148	228,240	-	-	231,388
Unallocated assets					52,397
Total assets					5,878,715
Segment liabilities	485,517	364,067	197,274	45,850	1,092,708
Unallocated liabilities					2,523,693
Total liabilities					3,616,401
Segment capital expenditure	15,878	66,730	37,639	12,557	132,804
Unallocated capital expenditure					3,715
Total capital expenditure					136,519

3. Turnover, revenue and segment information (Continued)

Primary reporting format - business segments (Continued)

The segment results for the year ended 31 December 2007 are as follows:

	Year ended 31 December 2007 (As restated)						
	Continuing operations					Discontinued operations	
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Sub-total HK$'000	Sports group HK$'000	Total HK$'000
Total gross segment turnover	1,085,460	947,655	440,178	211,077	2,684,370	818	2,685,188
Inter-segment turnover	-	(111)	-	(1,644)	(1,755)	-	(1,755)
Turnover	1,085,460	947,544	440,178	209,433	2,682,615	818	2,683,433
Segment profit/(loss) before amortisation and depreciation	89,833	110,080	50,157	19,272	269,342	(9,490)	259,852
Amortisation and depreciation	(80,101)	(18,295)	(35,331)	(29,004)	(162,731)	(48)	(162,779)
Segment profit/(loss) before impairment charges	9,732	91,785	14,826	(9,732)	106,611	(9,538)	97,073
Provision for impairment of goodwill and other assets	(127,116)	-	-	(36,581)	(163,697)	-	(163,697)
Segment profit/(loss) after impairment charges	(117,384)	91,785	14,826	(46,313)	(57,086)	(9,538)	(66,624)
Share of losses of jointly controlled entities	(104,303)	-	-	-	(104,303)	-	(104,303)
Share of profits less losses of associated companies	710	16,964	-	-	17,674	-	17,674
Unallocated (costs)/income, net					(87,936)	-	(87,936)
					(231,651)	(9,538)	(241,189)
Finance (costs)/income, net					(78,174)	491	(77,683)
Loss before taxation					(309,825)	(9,047)	(318,872)
Taxation					(49,603)	-	(49,603)
Loss for the year					(359,428)	(9,047)	(368,475)

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year ended are as follows:

	As at/For the year ended 31 December 2007				
	Internet group HK$'000	Publishing group HK$'000	Outdoor media group HK$'000	Television and entertainment group HK$'000	Total HK$'000
Segment assets	5,129,227	1,214,912	1,034,760	214,071	7,592,970
Interests in jointly controlled entities	(86,856)	-	-	-	(86,856)
Interests in associated companies	2,479	230,660	-	-	233,139
Unallocated assets					1,029,185
Total assets					8,768,438
Segment liabilities	428,932	367,061	160,105	69,912	1,026,010
Unallocated liabilities					4,244,042
Total liabilities					5,270,052
Segment capital expenditure	21,162	11,191	31,364	28,742	92,459
Unallocated capital expenditure					793
Total capital expenditure					93,252

3. Turnover, revenue and segment information (Continued)

Secondary reporting format - geographical segments

	Turnover					
	Year ended 31 December 2008			Year ended 31 December 2007		
	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Consolidated Total HK$'000
Hong Kong	17,348	-	17,348	16,540	-	16,540
Mainland China	1,723,081	-	1,723,081	1,740,025	818	1,740,843
Taiwan and other Asian countries	987,604	-	987,604	926,050	-	926,050
	2,728,033	-	2,728,033	2,682,615	818	2,683,433

Revenue is allocated based on the country in which the business is operated.

	Total assets		Capital expenditure	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong	44,744	896,081	4,470	1,168
Mainland China	4,710,294	6,695,302	66,036	79,861
Taiwan and other Asian countries	1,123,677	1,177,055	66,013	12,223
Total	5,878,715	8,768,438	136,519	93,252

Total assets and capital expenditure are allocated based on where the assets are located.

4. Provision for impairment of goodwill and other assets

The amount in the current year represented provision for impairment of goodwill of HK$1,231,179,000 (2007: HK$163,697,000), other intangible assets of HK$7,550,000 (2007: Nil) and available-for-sale financial assets of HK$10,843,000 (2007: Nil). The provision for impairment of goodwill was made for the Internet Group of HK$1,190,627,000 (2007: HK$127,116,000), the Outdoor Media Group of HK$37,164,000 (2007: Nil) and the Television and Entertainment Group of HK$3,388,000 (2007: HK$36,581,000) respectively. These provisions were made with reference to the reduced estimated values of the respective businesses, mainly due to the significant deterioration of the economy, as well as the tightening of certain regulations and policies in the respective industries in Mainland China.

5. Operating loss

Operating loss is stated after charging/crediting the following:

	2008 HK$'000	2007 HK$'000 (As restated)
Continuing operations		
Charging:		
Depreciation	102,830	117,328
Amortisation of other intangible assets	106,363	47,715
Amortisation of other intangible assets included in interests in associated companies	4,896	4,896
Loss on disposal of fixed assets	6,806	5,774
Loss on disposal of a subsidiary	-	9,193
Loss on disposal of other intangible assets	13,548	1,076
Crediting:		
Dividend income from available-for-sale financial assets	1,727	-
Gain on disposal of available-for-sale financial assets	-	26,029
Discontinued operations		
Charging:		
Depreciation	-	48
Loss on disposal of subsidiaries and an associated company	-	1,901

6. Finance costs, net

All finance costs, net were incurred for continuing and discontinued operations and are analysed as follows:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Interest and borrowing costs on bank loans	115,227	160,580
Interest and borrowing costs on convertible bonds	9,621	10,120
Interest on other loans, wholly repayable within five years	1,952	1,464
	126,800	172,164
Less: Interest income		
- available-for-sale financial assets	(31,920)	(55,361)
- bank and others	(25,459)	(38,629)
	(57,379)	(93,990)
	69,421	78,174
Discontinued operations		
Interest income - bank and others	-	491

The interest income of the Group has been reclassified and shown together with finance costs in the consolidated profit and loss account for the year ended 31 December 2008. As a result, corresponding comparative figures have been reclassified to conform to this presentation. This reclassification has no impact on the results or equity for the prior year and current year.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits 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:

	2008 HK$'000	2007 HK$'000
Continuing operations		
Overseas taxation	32,473	56,848
Under-provision in prior years	3,824	30
Deferred taxation	1,328	(7,275)
Taxation charges	37,625	49,603

No taxation is charged or credited to share of profits less losses of associated companies for the year ended 31 December 2008 (2007: taxation credit of HK$2,158,000).

8. Dividends

No dividends had been paid or declared by the Company during the year (2007: HK$Nil).

9. Loss per share

(a) Basic

Continuing operations
The calculation of the basic loss per share is based on consolidated loss from continuing operations attributable to equity holders of the Company of HK$1,394,429,000 (2007(restated): HK$322,058,000) and the weighted average of 3,893,270,558 (2007: 3,893,270,558) ordinary shares in issue during the year.

Discontinued operations
The calculation of the basic loss per share is based on consolidated loss from discontinued operations attributable to equity holders of the Company of HK$Nil (2007: HK$9,047,000) and the weighted average of 3,893,270,558 (2007: 3,893,270,558) ordinary shares in issue during the year.

(b) Diluted

Diluted loss per share is equal to the basic loss per share for the year ended 31 December 2008 and 2007 as the exercise price 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 outstanding convertible bonds would have an anti-dilutive effect on loss per share.

10. Trade and other receivables

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables (note b)	578,457	556,734
Prepayments, deposits and other receivables	319,971	452,304
	898,428	1,009,038

(a) The Group has established credit policies for customers in each of its businesses. The average credit period granted for trade receivables ranges from 30 to 90 days. The carrying values of trade and other receivables approximate their fair values.

10. Trade and other receivables (Continued)

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

As at 31 December 2008 and 2007, the ageing analyses of the Group's trade receivables were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	142,391	180,517
31-60 days	173,404	133,840
61-90 days	104,554	72,817
Over 90 days	249,799	256,419
	670,148	643,593
Less: Provision for impairment	(91,691)	(86,859)
	578,457	556,734

11. Trade and other payables

	Group	
	2008	2007
	HK$'000	HK$'000
Trade payables (note b)	311,492	267,926
Other payables and accruals	869,118	879,638
	1,180,610	1,147,564

(a) The carrying values of trade and other payables approximate their fair values.

(b) As at 31 December 2008 and 2007, the ageing analyses of the Group's trade payables were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current	86,357	117,373
31-60 days	55,425	46,432
61-90 days	45,253	27,428
Over 90 days	124,457	76,693
	311,492	267,926

12. Reserves

	Group								
	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange difference HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007, as previously reported	3,625,981	114,508	776	111,285	(43,823)	84,077	30,879	(1,379,010)	2,544,673
Opening adjustment (note a)	-	-	-	-	-	31,186	-	(31,186)	-
At 1 January 2007, as restated	3,625,981	114,508	776	111,285	(43,823)	115,263	30,879	(1,410,196)	2,544,673
Investment revaluation surplus	-	-	-	-	29,447	-	-	-	29,447
Employee share option schemes - value of employee services	-	10,202	-	-	-	-	-	-	10,202
Loss for the year, as restated	-	-	-	-	-	-	-	(331,105)	(331,105)
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	-	954	954
Transfer to general reserve	-	-	-	12,009	-	-	-	(12,009)	-
Cancellation of share option	-	(86,303)	-	-	-	-	-	86,303	-
Exchange difference (as restated)	-	-	-	161	(5)	168,605	-	-	168,761
Reserve realised upon disposal	-	(53)	-	-	(756)	5,399	-	-	4,590
At 31 December 2007, as restated	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,427,522
At 1 January 2008, as previously reported	3,625,981	38,354	776	123,455	(15,137)	224,347	30,879	(1,601,133)	2,427,522
Opening adjustment (note a)	-	-	-	-	-	64,920	-	(64,920)	-
At 1 January 2008, as restated	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,427,522
Investment revaluation surplus	-	-	-	-	5,452	-	-	-	5,452
Employee share option schemes - value of employee services	-	83	-	-	-	-	-	-	83
Loss for the year	-	-	-	-	-	-	-	(1,394,429)	(1,394,429)
Net actuarial loss on defined benefit plan	-	-	-	-	-	-	-	(904)	(904)
Transfer to general reserve	-	-	-	5,793	-	-	-	(5,793)	-
Exchange difference	-	-	-	-	-	260,743	-	-	260,743
Transfer to profit & loss	-	-	-	-	10,843	-	-	-	10,843
Maturity of convertible bonds	-	-	-	-	-	-	(30,879)	30,879	-
At 31 December 2008	3,625,981	38,437	776	129,248	1,158	550,010	-	(3,036,300)	1,309,310

12. Reserves (Continued)

Note:

(a) In prior years, a previously listed subsidiary of the Group, which was required to report under the accounting principles generally accepted in the United States of America, recorded non-cash foreign exchange translation differences arising from its available-for-sale debt securities directly into its reserves. However, the Group is required under the accounting principles generally accepted in Hong Kong to record these non-cash foreign exchange translation differences arising from available-for-sale debt securities in profit and loss account, and accordingly, the comparative figures have been restated to reflect this alignment of accounting policy. After the alignment, there will no longer be any differences in the accounting treatment with respect to these available-for-sale debt securities.

The application of the Group's accounting policy to these non-cash foreign exchange translation differences has no effect on the carrying value of the Group's available-for-sale debt securities, the Group's cash and net asset value position, the Group's shareholders' funds, minority interests and total equity, and the Company's reserves available for distribution calculated under Companies Law of the Cayman Islands as previously reported.

The effects of the restatement on the Group's consolidated accounts for the year ended 31 December 2007 are:

Effect on the Group's total equity as at 1 January 2007	HK$'000
Increase in exchange reserve	31,186
Increase in accumulated losses	(31,186)
Effect on other reserves	-
Net effect on total equity	-

Effect on the Group's consolidated profit or loss account for the year ended 31 December 2007	HK$'000
Increase in loss for the year	45,581
Increase in loss attributable to minority interests for the year	(11,847)
Increase in loss attributable to equity holders of the Company for the year	33,734
Increase in basic loss per share	
- from continuing operations attributable to equity holders of the Company for the year (HK cents)	0.86
- from discontinued operations attributable to equity holders of the Company for the year (HK cents)	-

Effect on the Group's total equity as at 31 December 2007	
Increase in exchange reserve	64,920
Increase in accumulated losses	(64,920)
Effect on other reserves	-
Net effect on total equity	-

13. Comparative figures

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

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, PwC Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, 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:	*Non-executive Directors:*	*Independent non-executive Directors:*
Mr. Yeung Kwok Mung	*Mr. Frank Sixt (Chairman)*	*Mr. Henry Cheong*
Ms. Angela Mak	*Ms. Debbie Chang*	*Ms. Anna Wu*
	Mrs. Susan Chow	*Mr. James Sha*
	Mr. Edmond Ip	
	Mrs. Angelina Lee	*Alternate Director:*
		Mr. Francis Meehan (Alternate to each of Mr. Frank Sixt, Ms. Debbie Chang, Mrs. Susan Chow and Mr. Edmond Ip)

** for identification purpose*