



# 2009 INTERIM REPORT

TOM Group Limited

Incorporated in the Cayman Islands with limited liability  
Stock Code:2383

PUBLISHING  
出版

INTERNET  
互聯網

戶外傳媒  
OUTDOOR  
MEDIA

電視及娛樂  
TV &  
ENTERTAINMENT



## CONTENTS

2	Definitions
3	Chairman's Statement
4	Management's Discussion and Analysis
10	Independent Review Report
11	Interim Financial Statements
18	Notes to the Condensed Consolidated Interim Financial Statements
31	Disclosure of Interests
37	Corporate Governance
38	Other Information

## DEFINITIONS

“Associates”	has the meaning ascribed under the Listing Rules
“CETV”	means China Entertainment Television Broadcast Limited
“CKH”	means Cheung Kong (Holdings) Limited
“Company” or “TOM”	means TOM Group Limited
“Directors”	means the directors of the Company
“Greater China”	means Mainland China, Hong Kong, Macau and Taiwan
“Group” or “TOM Group”	means the Company and its subsidiaries
“HWL”	means Hutchison Whampoa Limited
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Mainland China”	means The People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“New Option Scheme”	means the share option scheme adopted by the Company on 23 July 2004
“Old Option Scheme”	means the share option scheme adopted by the Company on 11 February 2000 (as amended) and terminated with effect from 4 August 2004
“Pre-IPO Share Option Plan”	means the Pre-IPO Share Option Plan adopted by the Company on 11 February 2000
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“TOM Online” or “TOMO”	means TOM Online Inc.

## CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM Group Limited (“TOM” or the “Company”) and its subsidiaries (collectively referred to as the “TOM Group” or the “Group”) for the six months ended 30 June 2009.

For the six months ended 30 June 2009, TOM reported revenues of HK\$1,193 million and operating profit of HK\$49 million; profit attributable to shareholders was HK\$12 million and earnings per share was HK cents 0.30, versus a loss of HK\$547 million and loss per share of HK cents 14.06 for the six months ended 30 June 2008.

The TOM Internet Group posted stable performance with 4% increase in revenues and 16% increase in segment profit. During the period, the Internet Group launched its official NBA site in Hong Kong and revamped Shawei with enhanced web 2.0 functionalities.

The Group's e-commerce business also showed continued improvement during the first half of the year with a 44% year-on-year reduction in losses. In addition, in February 2009, TOM entered into a strategic partnership with China Post Group, to develop e-commerce business in Mainland China, adding enhanced growth prospects for this business unit.

The Publishing Group recorded better than expected performance despite a challenging advertising environment in Taiwan, posting net profit of HK\$32 million for the first 6 months of 2009.

The Outdoor Media Group (“OMG”) recorded a HK\$91 million extraordinary gain, as a result of the repurchase of shares from SPH during the first half of 2009. The repurchase provides TOM with the opportunity to consolidate the Group's control of this business, with a view to improving its operating profitability going forward.

The Television and Entertainment Group reported improved financial performance with a 29% reduction in segment loss, attributable to strengthened programme offerings and increased operational efficiency.

In June and July, with support from its principal shareholders, the Group refinanced its maturing bank facilities by entering into new bank facilities with four banks totaling HK\$1.9 billion for a term of 36 months. The Group does not anticipate any material additional financing requirements during this period.

### Business Outlook

The Group's continuing focus on capital and operating efficiencies within, and integration and synergy opportunities between, its media businesses, had shown some encouraging results in the first-half. Barring underlying adverse market developments, the Group can expect additional improvement in the second half. I would like to take this opportunity to thank the management and their staff for their hard work, dedication and commitment.

**Frank Sixt**  
*Chairman*

Hong Kong, 10 August 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Highlights

	For the six months ended	
	30 June 2009	30 June 2008
	HK\$'000	HK\$'000
Revenues	1,192,708	1,331,967
Operating profit/(loss)#	48,727	(515,795)
Operating loss# excluding one-off/non-cash items*	(42,152)	(43,766)
Net profit/(loss) attributable to shareholders	11,665	(547,241)
Earnings/(loss) per share (HK cents)	0.30	(14.06)

\* including share of results of associated companies and jointly controlled entities

\* before gain on acquisition of additional interests in a subsidiary (2008: before provision for impairment of intangible assets)

### Business Review

#### **Internet – Stable performance with 16% increase in profit**

For the first half of 2009, the Internet Group reported steady growth in both revenues and profit and posted revenues of HK\$524 million and segment profit of HK\$25 million, a year-on-year increase of 4% and 16%, respectively.

Leveraging on its partnerships with various content and technology providers, TOM continued to offer a wide range of quality content targeted at the young, trendy and technology-savvy users, creating an innovative and targeted platform for its advertisers.

#### **Expanded premium sports portfolio through NBA alliance**

Following the successful NBA website launch in China in October 2008, TOM rolled out the official NBA site in Hong Kong (NBA.com/hongkong) in April 2009. For the first time ever, basketball fans in Hong Kong could access the most up-to-date NBA news and watch the NBA playoff games online, free of charge. Combining TOM's cutting-edge wireless and internet technologies with NBA's premium content, the Internet Group not only created a seamless and integrated online/mobile/offline experience for the sports fans, but also presented its advertisers with an innovative one-stop solution to reach its target audience. The NBA China and Hong Kong websites had both recorded meaningful growth in unique visitors and page-views throughout the NBA playoffs.

### ***Sharkwave offered enhanced web 2.0 features***

In July 2009, TOM re-launched Sharkwave with the introduction of various enhanced web 2.0 functionalities. Sharkwave has created an ultimate destination for sports fans to meet, interact and share interests in various sporting events.

Integrated with the Official NBA websites that TOM operates in Greater China, the Sharkwave NBA online community not only offers sports fans access to the latest news and game statistics, but also allows them to participate in online fantasy games and exchange views with other sports lovers, online and via mobile. Going forward, Sharkwave will continue to work with quality sports partners, to offer premium sports content (such as football, tennis and extreme sports), as well as new online games and advanced functionalities, to its users.

### ***Enhanced online entertainment offering on alive.tom.com***

TOM has partnered with alivenotdead.com, popular social network for artists, musicians and movie makers, to enhance its online entertainment offering to its users. TOM users could stay ahead of the latest trends and movements by logging on to alive.tom.com.

### ***Eachnet continued to show improvement***

TOM has continued to show improvement in its e-commerce business. During the first half of 2009, TOM's share of losses in Eachnet narrowed to HK\$25 million, a 44% reduction, driven by continued improvement in operating efficiency and competitiveness. During the period, Eachnet buyer ARPU increased by 22%. In June 2009, Eachnet successfully launched the first "Taiwan Zone", an online marketplace for imported Taiwan goods, in China.

### ***Launch of integrated commerce platform with China Post Group***

In February 2009, TOM teamed up with China Post Group, to develop e-commerce business in Mainland China. By combining TOM's online, wireless and traditional media assets with China Post's logistics infrastructure, the platform, when launched, will offer users a reliable and integrated shopping experience from online to offline to mobile.

### ***Publishing – Exceeded expectations despite tough market environment***

The Group had recorded better than expected performance in publishing despite a tough advertising market in Taiwan. Despite the challenges, the Publishing Group posted revenues of HK\$404 million and segment profit of HK\$32 million in the first half of 2009.

### ***Illustrated market leadership and wide acclaims***

TOM's Publishing Group maintained its market leadership and continued to receive wide acclaims despite the worsening economic and business environment during the period.

In particular, Cite's publications "A Tale of Mari and Three Puppies" and "Nuan Nuan" were named among the "Top Ten Most Popular Books" for primary and secondary students, by the Hong Kong Professional Teachers' Union and the Leisure & Cultural Services Department.

In addition, "Little Beauty" was elected "Most Favourite Book for the Year" at the 2008 Hong Kong Book Award, co-organized by Radio Television Hong Kong, Leisure and Cultural Services Department, Hong Kong Public Libraries and Hong Kong Publishing Federation.

Furthermore, Business Weekly, the Publishing Group's flagship magazine published in Taiwan, won the 2009 SOPA Awards for "Excellence in Special Issue of Special Section". The magazine was also awarded second place in "Feature Writing" and "Photography" at the Hakka News Award this year.

### ***Bestselling novels recorded print volume of over 400,000 copies***

During the first half of 2009, Cite continued to follow stringent selection process and exercise strict quality-control, focusing its resources only on quality titles. The novel "Twilight" and its two sequels reported a total print volume of over 400,000 copies as of June 2009.

### ***Enhanced online publishing platform***

In response to the growing consumption of content online, the Publishing Group has accelerated its investments in the development of its digital publishing platform, providing services such as e-books, e-periodicals and mobile publishing.

In addition to e-Business Weekly Online in Taiwan, Cite had also launched the Grimm Press's e-book platform for children in Mainland China. With strong business acumen and in-depth market knowledge, Cite is well positioned to create a new digital publishing platform, providing its users with more dynamic reading experience.

### ***Outdoor Media – Extraordinary gain from share repurchase***

To further improve operating efficiency and flexibility of the outdoor business, TOM repurchased the remaining 35% stake in Outdoor Media Group ("OMG") from SPH during the first half of 2009, providing TOM with the opportunity to consolidate the Group's control of this business. The share buyback not only generated a one-off gain of HK\$91 million for the Group, but also allowed TOM to realize synergies between OMG and the Group's other businesses, and improve its operating profitability going forward.

For the first half of 2009, OMG reported revenues of HK\$192 million and segment profit, including the one-off gain of HK\$91 million from the 35% share buy-back, of HK\$76 million.

### ***Developing technology-driven media assets***

In response to market's growing demand for digital outdoor media assets in Mainland China, OMG, working closely with the local authorities, has focused its new developments on high margin digital outdoor display products, leveraging on TOM's technical capabilities. The Group believes that these products, with physical appeal and superior functionalities, would be well received.

Meanwhile, OMG will continue to provide innovative and integrated advertising solutions to multinational advertising client within the Group's network.

### ***TV & Entertainment – Improved financial performance and narrowed losses***

For the first half of 2009, the Television and Entertainment Group had shown meaningful financial improvement, reporting gross revenues of HK\$74 million and segment loss of HK\$23 million, a 29% reduction from a year earlier. This was mainly attributable to the concerted effort taken to optimize the business's operation and to strengthen programme offerings.

#### ***Strengthened content offerings***

CETV has continued to strengthen its content offerings through cooperations with various content partners. Most notable was the team-up with Taiwan's Gala Television Corporation and China's Nationtainment Corporation to co-produce "Entertainment Power" to deliver first-hand entertainment news to the audience. The programme was very well received.

CETV was also able to expand audience coverage and channel ratings with the introduction of first-run and exclusive premiere of popular dramas, coupled with effective on-ground marketing activities, during prime time.

In particular, the Taiwanese drama "Black and White", featured on CETV during its 5th anniversary, had successfully attracted a huge audience base. CETV's prime time ratings in Guangzhou and Shenzhen during the time period increased 50% and 26%, respectively.

#### ***Expanded coverage to online and wireless platform***

Working closely with TOM's Internet Group, CETV had successfully expanded its reach with the launch of CETV LIVE, the wireless and live online broadcasting of CETV programs on the www.tom.com platform. Since the launch of CETV Live, the site had recorded double digit growth in viewership month-on-month.

In addition, CETV has been working closely with the relevant authorities and had resumed its TV coverage in Shenzhen during the period.



### ***Created integrated media platform for advertisers***

With concerted efforts to improve its operating efficiency and to strengthen its program offerings, CETV had shown significant financial improvement during the period.

Through further integration with the Group's existing networks, content resources and advertising inventory, CETV was able to offer a diversified multi-platform experience to its viewers, as well as a differentiated and integrated advertising solution to its advertisers.

### ***More multinationals entrust YC with marketing campaigns***

Following the success of the innovative and first-of-its-kind "Nokia Experience Van" project, reaching over 2,000 cities nationwide, YC had continued to gain support from various multinationals. During the first half of 2009, Yang Cheng was awarded a number of new marketing campaigns including the "2009 NIKE IGNITE YOUR GAME" for NIKE in April 2009 and the "Fun Fair" for Potenza in June 2009.

## **Liquidity and Financial Resources**

---

As at 30 June 2009, TOM Group had bank and cash balances, including pledged deposits, of approximately HK\$1,343 million and listed debt securities of approximately HK\$78 million which were pledged to secure bank loan facilities of the Group. A total of HK\$3,608 million financing facilities were available, of which HK\$2,089 million had been drawn down as at 30 June 2009, to finance the Group's acquisitions, capital expenditures and for working capital purposes.

Total borrowings of TOM Group amounted to approximately HK\$2,089 million as at 30 June 2009. This included long-term bank loans of approximately HK\$511 million and short-term bank loans of approximately HK\$1,578 million. The gearing ratio (Debts/(Debts + Equity)) of TOM Group was 50% as at 30 June 2009 as compared to 51% as at 31 December 2008.

As at 30 June 2009, the Group had net current liabilities of approximately HK\$548 million, as compared to HK\$436 million as at 31 December 2008. In June and July 2009, the Group has entered into agreements with several banks and secured new banking facilities of totaling HK\$1,900 million for a period of three years. 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 30 June 2009, the current ratio of TOM Group was 0.81 compared to 0.86 as at 31 December 2008.

For the six months of 2009, the Group generated net cash from its operating activities before interest and taxation of HK\$85 million, as compared to HK\$34 million in the same period of 2008.

## Charges on Group Assets

---

As at 30 June 2009, the Group had listed debt securities with a market value of approximately HK\$78 million and properties with net book values of approximately HK\$1 million were pledged to banks for securing bank loans.

## 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

---

As at 30 June 2009, the Group had contingent liabilities in respect of a tax appeal by a subsidiary of the Group in Taiwan amounted to NT\$174 million (approximately HK\$40.9 million) (31 December 2008: NT\$155 million, approximately HK\$36.6 million).

## Employee Information

---

As at 30 June 2009, TOM Group had 3,074 full-time employees. During the first six months of the year, employee and stock option costs, including Directors' emoluments, totaled at HK\$267 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2008.

### **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 and one-off gain that represents the excess of net assets value over cost of acquisition of additional interests in a subsidiary, 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.

## INDEPENDENT REVIEW REPORT



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
33rd Floor Cheung Kong Center  
2 Queen's Road Central, Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF TOM GROUP LIMITED**

*(incorporated in Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 11 to 30, which comprises the condensed consolidated balance sheet of TOM Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 10 August 2009

## INTERIM FINANCIAL STATEMENTS

### Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2009

	Note	Unaudited	
		2009	2008
		HK\$'000	HK\$'000
Revenue	2	<b>1,192,708</b>	1,331,967
Cost of sales		<b>(874,320)</b>	(882,671)
Selling and marketing expenses	4	<b>(114,469)</b>	(140,823)
Administrative expenses	4	<b>(84,496)</b>	(100,539)
Other operating expenses	4	<b>(132,472)</b>	(181,899)
Other losses	4	<b>(4,216)</b>	(32,001)
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	20(a)	<b>90,879</b>	–
Provision for impairment of intangible assets	3	–	(472,029)
Share of losses of jointly controlled entities		<b>(24,703)</b>	(43,824)
Share of profits less losses of associated companies		<b>(184)</b>	6,024
		<b>48,727</b>	(515,795)
Finance income		<b>15,193</b>	32,195
Finance costs		<b>(28,803)</b>	(72,442)
Finance costs, net	5	<b>(13,610)</b>	(40,247)
Profit/(loss) before taxation		<b>35,117</b>	(556,042)
Taxation	6	<b>(21,813)</b>	(28,883)
Profit/(loss) for the period		<b>13,304</b>	(584,925)
Attributable to:			
– Minority interests		<b>1,639</b>	(37,684)
– Equity holders of the Company		<b>11,665</b>	(547,241)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company			
<b>Basic and diluted</b>	8	<b>HK0.30 cents</b>	HK(14.06) cents

## Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	<b>13,304</b>	(584,925)
<b>Other comprehensive income</b>		
Exchange translation differences	727	216,165
Revaluation (deficit)/surplus on available-for-sale financial assets, net of tax	(97)	6,486
<b>Other comprehensive income for the period, net of tax</b>	<b>630</b>	222,651
<b>Total comprehensive income/(expenses) for the period</b>	<b>13,934</b>	(362,274)
<b>Total comprehensive income/(expenses) attributable to:</b>		
– Minority interests	2,053	6,166
– Equity holders of the Company	11,881	(368,440)

## Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

		Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
	<i>Note</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Fixed assets	9	171,667	202,152
Goodwill	10	2,633,784	2,634,940
Other intangible assets	11	70,516	66,897
Interests in jointly controlled entities		(118,244)	(87,904)
Interests in associated companies		213,419	231,388
Available-for-sale financial assets		26,607	30,147
Advance to an investee company		2,165	2,165
Deferred tax assets		49,754	51,843
Other non-current assets		5,020	6,360
		<b>3,054,688</b>	<b>3,137,988</b>
<b>Current assets</b>			
Available-for-sale financial assets		78,335	392,916
Inventories		115,430	118,399
Trade and other receivables	12	793,131	898,428
Restricted cash	13	2,164	2,171
Cash and cash equivalents		1,340,364	1,328,813
		<b>2,329,424</b>	<b>2,740,727</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,084,094	1,180,610
Taxation payable		39,515	36,840
Long-term bank loans – current portion	15	175,325	449,533
Short-term bank and other loans	15	1,578,320	1,509,381
		<b>2,877,254</b>	<b>3,176,364</b>
<b>Net current liabilities</b>		<b>(547,830)</b>	<b>(435,637)</b>
<b>Total assets less current liabilities</b>		<b>2,506,858</b>	<b>2,702,351</b>

## Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

		Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Deferred tax liabilities		16,708	14,919
Non-current portion of long-term bank loans	15	335,364	395,474
Pension obligations		29,651	29,644
		<u>381,723</u>	<u>440,037</u>
<b>Net assets</b>		<u>2,125,135</u>	<u>2,262,314</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	16	389,328	389,328
Reserves		1,321,191	1,309,310
Own shares held		(6,244)	(6,244)
<b>Shareholders' funds</b>		<u>1,704,275</u>	<u>1,692,394</u>
Minority interests		420,860	569,920
<b>Total equity</b>		<u>2,125,135</u>	<u>2,262,314</u>

## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited												
	Attributable to the equity holders of the Company												
	Share capital	Own shares held	Share premium	Capital reserve	Capital redemption reserve	General reserve	Available-for-sale financial assets reserve	Exchange reserve	Convertible bonds reserve	Accumulated losses	Total shareholders' funds	Minority interest	Total equity
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2008	389,328	(6,244)	3,625,981	38,354	776	123,455	(15,137)	289,267	30,879	(1,666,053)	2,810,606	687,780	3,498,386
Loss for the period	-	-	-	-	-	-	-	-	-	(547,241)	(547,241)	(37,684)	(584,925)
Other comprehensive income:													
Revaluation surplus on available-for-sale financial assets, net of tax	-	-	-	-	-	-	5,911	-	-	-	5,911	575	6,486
Exchange translation differences	-	-	-	-	-	-	-	172,890	-	-	172,890	43,275	216,165
Total comprehensive income for the period ended 30 June 2008	-	-	-	-	-	-	5,911	172,890	-	(547,241)	(368,440)	6,166	(362,274)
Employee share option schemes - value of employee services	-	-	-	83	-	-	-	-	-	-	83	-	83
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	-	(54,166)	(54,166)
Acquisition of additional interests in a subsidiary (note 20(b))	-	-	-	-	-	-	-	-	-	-	-	(2,775)	(2,775)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(265)	(265)
Other reserves shared by minority interests	-	-	-	-	-	-	-	-	-	-	-	(276)	(276)
Balance at 30 June 2008	389,328	(6,244)	3,625,981	38,437	776	123,455	(9,226)	462,157	30,879	(2,213,294)	2,442,249	636,464	3,078,713



## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited Attributable to the equity holders of the Company											
	Share capital HK\$'000	Own shares held HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Available- for-sale financial assets reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total shareholders' funds HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
Balance at 1 January 2009	389,328	(6,244)	3,625,981	38,437	776	129,248	1,158	550,010	(3,036,300)	1,692,394	569,920	2,262,314
Profit for the period	-	-	-	-	-	-	-	-	11,665	11,665	1,639	13,304
Other comprehensive income:												
Revaluation surplus/(deficit) on available-for-sale financial assets, net of tax	-	-	-	-	-	-	46	-	-	46	(143)	(97)
Exchange translation differences	-	-	-	-	-	-	-	170	-	170	557	727
Total comprehensive income for the period ended 30 June 2009	-	-	-	-	-	-	46	170	11,665	11,881	2,053	13,934
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(866)	(866)
Acquisition of additional interests in a subsidiary (note 20(a))	-	-	-	-	-	-	-	-	-	-	(151,188)	(151,188)
Contribution from minority interests	-	-	-	-	-	-	-	-	-	-	941	941
Balance at 30 June 2009	389,328	(6,244)	3,625,981	38,437	776	129,248	1,204	550,180	(3,024,635)	1,704,275	420,860	2,125,135

## Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operations	<b>85,038</b>	34,178
Interest paid	<b>(21,408)</b>	(87,426)
Overseas taxation paid	<b>(17,723)</b>	(32,956)
Net cash from/(used in) operating activities	<b>45,907</b>	(86,204)
Net cash from investing activities	<b>229,831</b>	647,175
Net cash used in financing activities	<b>(264,187)</b>	(1,206,890)
Net increase/(decrease) in cash and cash equivalents	<b>11,551</b>	(645,919)
Cash and cash equivalents at the beginning of the period	<b>1,328,813</b>	1,828,396
Cash and cash equivalents at the end of the period	<b>1,340,364</b>	1,182,477

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

As at 30 June 2009, the Group had net current liabilities of approximately HK\$548 million (31 December 2008: HK\$436 million). In June and July 2009, the Group has entered into agreements with several banks and secured new banking facilities totaling HK\$1,900 million for a period of three years. 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. Consequently, the financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation used in preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008, except the adoption of new standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2009.

The following new standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning 1 January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments

<sup>1</sup> Effective for the Group for annual periods beginning 1 January 2009 except the amendments to HKFRS 5, “Non-current Assets Held for Sale and Discontinued Operations” which is effective for the Group for annual periods beginning 1 January 2010

The application of the above standards and amendments had resulted in certain changes on the disclosures on the Group’s accounts while the results and financial position were not affected.

At the date of the authorisation of these financial statements, the following standards, amendments to standards and interpretations were issued but not yet effective and have not been early adopted by the Group:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

The Group has commenced an assessment of the impacts of these new standards, amendments to standards and interpretations and they are not expected to have a significant impact on the Group’s results and financial position, except the effect that the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may have on the results of operation and financial position of the Group will depend on the incidence and timing of any business combinations occurring in or after 2010.

## 2 Segment information

The Group has four reportable segments:

- 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.

Sales between segments are carried out at arm's length.

The segment results for the six months ended 30 June 2009 are as follows:

	Unaudited Six months ended 30 June 2009				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	Total HK\$'000
Total gross segment revenue	523,543	404,043	191,809	74,182	1,193,577
Inter-segment revenue	–	–	–	(869)	(869)
Net revenue from external customers	<u>523,543</u>	<u>404,043</u>	<u>191,809</u>	<u>73,313</u>	<u>1,192,708</u>
Segment profit/(loss) before amortisation and depreciation	42,461	63,852	4,877	(12,763)	98,427
Amortisation and depreciation	(17,888)	(31,517)	(19,499)	(10,297)	(79,201)
Segment profit/(loss)	<u>24,573</u>	<u>32,335</u>	<u>(14,622)</u>	<u>(23,060)</u>	<u>19,226</u>
Other material non-cash items:					
Excess of net assets value over cost of acquisition of additional interests in a subsidiary	–	–	90,879	–	90,879
Share of losses of jointly controlled entities	(24,703)	–	–	–	(24,703)
Share of profits less losses of associated companies	(18)	(166)	–	–	(184)
	<u>(24,721)</u>	<u>(166)</u>	<u>90,879</u>	<u>–</u>	<u>65,992</u>
Finance costs:					
Finance income	13,315	12,316	2,221	52	27,904
Finance expenses	(1,972)	(10,520)	(516)	(8,495)	(21,503)
	<u>11,343</u>	<u>1,796</u>	<u>1,705</u>	<u>(8,443)</u>	<u>6,401</u>
Segment profit/(loss) before taxation	<u>11,195</u>	<u>33,965</u>	<u>77,962</u>	<u>(31,503)</u>	<u>91,619</u>
Unallocated corporate expenses					(56,502)
Profit before taxation					<u>35,117</u>
Expenditure for operating segment non-current assets	3,040	32,138	10,548	13,477	59,203
Unallocated expenditure for non-current assets					90
Total expenditure for non-current assets					<u>59,293</u>

## 2 Segment information (Continued)

The segment results for the six months ended 30 June 2008 are as follows:

	Unaudited				Total HK\$'000
	Six months ended 30 June 2008				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Total gross segment revenue	502,074	524,086	223,984	82,628	1,332,772
Inter-segment revenue	–	–	–	(805)	(805)
Net revenue from external customers	<u>502,074</u>	<u>524,086</u>	<u>223,984</u>	<u>81,823</u>	<u>1,331,967</u>
Segment profit/(loss) before amortisation and depreciation	54,998	66,784	9,928	(19,271)	112,439
Amortisation and depreciation	<u>(33,786)</u>	<u>(9,839)</u>	<u>(18,585)</u>	<u>(13,011)</u>	<u>(75,221)</u>
Segment profit/(loss)	<u>21,212</u>	<u>56,945</u>	<u>(8,657)</u>	<u>(32,282)</u>	<u>37,218</u>
Other material non-cash items:					
Provision for impairment of intangible assets	(472,029)	–	–	–	(472,029)
Share of losses of jointly controlled entities	(43,824)	–	–	–	(43,824)
Share of profits less losses of associated companies	366	5,658	–	–	6,024
	<u>(515,487)</u>	<u>5,658</u>	<u>–</u>	<u>–</u>	<u>(509,829)</u>
Finance costs:					
Finance income	18,784	20,695	2,606	129	42,214
Finance expenses	<u>(13,022)</u>	<u>(18,082)</u>	<u>(536)</u>	<u>(7,472)</u>	<u>(39,112)</u>
	<u>5,762</u>	<u>2,613</u>	<u>2,070</u>	<u>(7,343)</u>	<u>3,102</u>
Segment profit/(loss) before taxation	<u>(488,513)</u>	<u>65,216</u>	<u>(6,587)</u>	<u>(39,625)</u>	<u>(469,509)</u>
Unallocated corporate expenses					<u>(86,533)</u>
Loss before taxation					<u>(556,042)</u>
Expenditure for operating segment non-current assets	6,059	6,074	7,958	10,508	30,599
Unallocated expenditure for non-current assets					<u>1,564</u>
Total expenditure for non-current assets					<u>32,163</u>

## 2 Segment information (Continued)

The segment assets and liabilities at 30 June 2009 are as follows:

	Unaudited				Total HK\$'000
	As at 30 June 2009				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Operating segment assets	3,113,417	1,095,993	883,472	155,936	5,248,818
Interests in jointly controlled entities	(118,244)	–	–	–	(118,244)
Interests in associated companies	2,588	210,831	–	–	213,419
Total operating segment assets	<u>2,997,761</u>	<u>1,306,824</u>	<u>883,472</u>	<u>155,936</u>	<u>5,343,993</u>
Unallocated assets					<u>40,119</u>
					<u>5,384,112</u>
Operating segment liabilities	474,391	286,908	190,341	44,012	995,652
Unallocated liabilities					<u>2,263,325</u>
					<u>3,258,977</u>

The segment assets and liabilities at 31 December 2008 are as follows:

	Audited				Total HK\$'000
	As at 31 December 2008				
	Internet Group HK\$'000	Publishing Group HK\$'000	Outdoor Media Group HK\$'000	Television and Entertainment Group HK\$'000	
Operating 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
Total operating segment assets	<u>3,301,645</u>	<u>1,390,441</u>	<u>969,931</u>	<u>164,301</u>	<u>5,826,318</u>
Unallocated assets					<u>52,397</u>
					<u>5,878,715</u>
Operating segment liabilities	485,517	364,067	197,274	45,850	1,092,708
Unallocated liabilities					<u>2,523,693</u>
					<u>3,616,401</u>

The unallocated assets represent the corporate assets. The unallocated liabilities represent the corporate liabilities in addition to operating segment taxation payable, deferred tax liabilities and borrowings which are managed on a central basis.

## 3 Provision for impairment of intangible assets

The amount in 2008 represented the provision for impairment of goodwill of HK\$464,479,000 and intangible assets of HK\$7,550,000 resulting from certain business related to first generation mobile products and services. This mainly included a provision for impairment of goodwill on the investment in Beijing Bo Xun Rong Tong Information Technology Company Limited which was made with reference to the estimated value of the business.

**4 Operating profit/(loss)**

Operating profit/(loss) is stated after charging/crediting the following:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Charging:		
Depreciation of fixed assets ( <i>Note 9</i> )	39,481	53,396
Amortisation of other intangible assets ( <i>Note 11</i> )	40,235	22,608
Amortisation of other non-current assets included in interests in associated companies	2,448	2,448
Loss on disposal of fixed assets	2,815	1,632
Loss on disposal of intangible assets	1,001	–
Exchange loss, net	–	32,096
	<u>          </u>	<u>          </u>
Crediting:		
Exchange gain, net	3,020	–
Dividend income from available-for-sale financial assets	360	1,727
	<u>          </u>	<u>          </u>

**5 Finance costs**

All finance costs are shown as follows:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Interest and borrowing costs on bank loans	27,863	66,060
Interest and borrowing costs on convertible bonds	–	5,240
Interest on other loans, wholly repayable within five years	940	1,142
	<u>          </u>	<u>          </u>
	28,803	72,442
Less: Interest income	(15,193)	(32,195)
	<u>          </u>	<u>          </u>
Finance costs, net	<u>13,610</u>	<u>40,247</u>

**6 Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less available tax losses.

The amount of taxation charged in the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Overseas taxation	18,398	21,748
Under-provision in prior years	104	–
Deferred taxation	3,311	7,135
	<u>          </u>	<u>          </u>
	<u>21,813</u>	<u>28,883</u>

**7 Dividend**

No dividend has been paid or declared by the Company for the periods ended 30 June 2009 and 2008.

**8 Profit/(loss) per share**

*(a) Basic*

The calculation of the basic profit/(loss) per share is based on consolidated profit attributable to equity holders of the Company of HK\$11,665,000 (2008: loss of HK\$547,241,000) and the weighted average of 3,893,270,558 (2008: 3,893,270,558) ordinary shares in issue during the period.

*(b) Diluted*

Diluted profit/(loss) per share is equal to the basic profit/(loss) per share for the periods ended 30 June 2009 and 2008 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 profit/(loss) per share.

**9 Fixed assets**

During the period, major fixed assets acquired by the Group was computer equipment amounting to HK\$6,526,000 (31 December 2008: HK\$28,034,000).

	<i>HK\$'000</i>
At 1 January 2008	250,887
Additions	22,070
Disposals	(2,776)
Disposal of a subsidiary	(1,723)
Depreciation charge	(53,396)
Exchange adjustments	16,550
	<hr/>
At 30 June 2008 (unaudited)	231,612
Additions	29,145
Disposals	(6,065)
Depreciation charge	(49,434)
Exchange adjustments	(3,106)
	<hr/>
At 31 December 2008	202,152
Additions	13,931
Disposals	(4,828)
Depreciation charge	(39,481)
Exchange adjustments	(107)
	<hr/>
At 30 June 2009 (unaudited)	<u>171,667</u>



## 10 Goodwill

	<i>HK\$'000</i>
At 1 January 2008	3,663,060
Additions arising from acquisition of interests in a subsidiary ( <i>Note 20(b)</i> )	2,825
Provision for goodwill impairment ( <i>Note 3</i> )	(464,479)
Exchange adjustments	143,770
	<hr/>
At 30 June 2008 (unaudited)	3,345,176
Provision for goodwill impairment	(766,700)
Exchange adjustments	56,464
	<hr/>
At 31 December 2008	2,634,940
Consideration adjustment on prior year acquisition	(1,130)
Exchange adjustments	(26)
	<hr/>
At 30 June 2009 (unaudited)	<u>2,633,784</u>

## 11 Other intangible assets

	Concession rights <i>HK\$'000</i>	Licence rights and royalties <i>HK\$'000</i>	Publishing rights <i>HK\$'000</i>	Purchased programme and film rights <i>HK\$'000</i>	Software <i>HK\$'000</i>	Customer base and technical know-how <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	36,124	81	4,748	6,903	3,058	9,296	60,210
Additions	1,328	–	–	8,731	34	–	10,093
Amortisation charge	(5,132)	(83)	(2,128)	(10,026)	(1,144)	(4,095)	(22,608)
Provision for impairment ( <i>Note 3</i> )	–	–	–	–	(2,115)	(5,435)	(7,550)
Disposal of a subsidiary	(803)	–	–	–	–	–	(803)
Exchange adjustments	2,582	2	302	–	197	579	3,662
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008 (unaudited)	34,099	–	2,922	5,608	30	345	43,004
Reclassification from current assets	–	–	35,487	–	–	–	35,487
Additions	20,276	–	53,267	1,669	–	–	75,212
Amortisation charge	(19,035)	–	(58,423)	(6,293)	(4)	–	(83,755)
Disposals	(12,463)	–	(1,085)	–	–	–	(13,548)
Exchange adjustments	11,239	–	(738)	–	(1)	(3)	10,497
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	34,116	–	31,430	984	25	342	66,897
Additions	5,083	–	27,092	13,187	–	–	45,362
Amortisation charge	(7,437)	–	(24,971)	(7,821)	(6)	–	(40,235)
Disposals	–	–	(1,001)	–	–	–	(1,001)
Exchange adjustments	34	–	(541)	–	–	–	(507)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2009 (unaudited)	<u>31,796</u>	<u>–</u>	<u>32,009</u>	<u>6,350</u>	<u>19</u>	<u>342</u>	<u>70,516</u>

**12 Trade and other receivables**

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Trade receivables, net of provision	503,312	578,457
Prepayments, deposits and other receivables	289,819	319,971
	<u>793,131</u>	<u>898,428</u>

The Group has established credit policies for customers in each of its business. The average period granted for trade receivables ranges from 30 to 90 days.

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

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
1-30 days	114,298	142,391
31-60 days	146,485	173,404
61-90 days	80,854	104,554
Over 90 days	255,719	249,799
	<u>597,356</u>	<u>670,148</u>
Less: Provision for impairment	(94,044)	(91,691)
	<u>503,312</u>	<u>578,457</u>
Represented by:		
Receivables from related companies	2,936	2,936
Receivables from third parties	500,376	575,521
	<u>503,312</u>	<u>578,457</u>

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

**13 Restricted Cash**

As at 30 June 2009, restricted cash represented bank deposits and cash of the Group totaling NT\$9,200,000 (approximately HK\$2,164,000) (31 December 2008: NT\$9,200,000 or approximately HK\$2,171,000) which were pledged in favour of certain publishing distributors in Taiwan as retainer fee for potential sales return.

## 14 Trade and other payables

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Trade payables	292,214	311,492
Other payables and accruals	791,880	869,118
	<u>1,084,094</u>	<u>1,180,610</u>

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

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
1-30 days	69,894	86,357
31-60 days	58,586	55,425
61-90 days	29,485	45,253
Over 90 days	134,249	124,457
	<u>292,214</u>	<u>311,492</u>
Represented by:		
Payable to related companies	18,195	18,195
Payable to third parties	274,019	293,297
	<u>292,214</u>	<u>311,492</u>

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

## 15 Movements in borrowings

	Short-term bank and other loans HK\$'000	Long-term bank loans HK\$'000	Convertible bonds-liability portion HK\$'000	Total HK\$'000
As at 1 January 2008	2,515,998	1,303,934	200,138	4,020,070
Borrowings	118,000	–	–	118,000
Repayments	(1,175,507)	(112,677)	–	(1,288,184)
Convertible bonds interests, net of payments of coupon interests	–	–	4,738	4,738
Exchange adjustments	5,416	41,745	–	47,161
As at 30 June 2008 (unaudited)	<u>1,463,907</u>	<u>1,233,002</u>	<u>204,876</u>	<u>2,901,785</u>
As at 1 January 2009	1,509,381	845,007	–	2,354,388
Borrowings	263,560	–	–	263,560
Repayments	(194,243)	(332,646)	–	(526,889)
Exchange adjustments	(378)	(1,672)	–	(2,050)
As at 30 June 2009 (unaudited)	<u>1,578,320</u>	<u>510,689</u>	<u>–</u>	<u>2,089,009</u>

## 16 Share capital

	No. of ordinary shares of HK\$0.1 each	HK\$'000
Authorised:		
As at 1 January and 30 June 2008 and 1 January and 30 June 2009	5,000,000,000	500,000
Issued and fully paid:		
As at 1 January and 30 June 2008 and 1 January and 30 June 2009	3,893,270,558	389,328

## 17 Share option schemes

*Details of share options granted by the Company*

	2009		Six months ended 30 June 2008	
	Pre-IPO Share Option Plan	Old Option Scheme	Pre-IPO Share Option Plan	Old Option Scheme
Number of share options:				
At the beginning of the period	7,116,000	56,028,000	16,196,000	65,362,000
Cancelled during the period	–	(1,082,000)	–	(6,316,000)
At the end of the period (unaudited)	7,116,000	54,946,000	16,196,000	59,046,000

Terms of the share options outstanding as at 30 June 2009 are:

Expiry date	Subscription price per share	Unaudited No. of share options	
		30 June 2009	30 June 2008
10 February – 14 November 2010	HK\$1.78 – HK\$11.30	28,372,000	38,702,000
8 October 2013	HK\$2.505	33,690,000	36,540,000
		62,062,000	75,242,000

For detailed information of the Pre-IPO Share Option Plan and Old Option Scheme of the Company, please refer to the Company's 2008 annual report.

## 18 Pledge of assets

Save as disclosed in Note 13, the Group has the following pledge of assets:

- (a) At as 30 June 2009, available-for-sale financial assets with a total market value of approximately HK\$78,335,000 (31 December 2008: HK\$392,916,000) were pledged to banks for securing bank loans totaling HK\$68,913,000 (31 December 2008: HK\$353,911,000).
- (b) As at 30 June 2009, properties with net book values of approximately HK\$773,000 (31 December 2008: HK\$796,000) were pledged to banks for securing banking facilities granted to certain subsidiaries of the Company.

## 19 Contingent liabilities

As at 30 June 2009, the Group had contingent liabilities in respect of a revised income tax assessment issued to a subsidiary of the Group in Taiwan by the local tax authority amounted to NT\$174 million (approximately HK\$40.9 million) (31 December 2008: NT\$155 million, approximately HK\$36.6 million). The subsidiary has filed an appeal to the tax authority and no results have been finalised up to the date of these accounts.

Apart from the above, the Group has no other material contingent liabilities up to the date of these accounts.

## 20 Transaction with minority interests

### (a) Acquisition of additional interests in TOM Outdoor Media Group Limited ("TOM OMG") in 2009

On 27 May 2009, the Group, through a wholly owned subsidiary, TOM Outdoor Media Holdings Limited, acquired an additional 35% equity interests in TOM OMG for a consideration of HK\$60,000,000 from the minority shareholder. The acquisition from the minority shareholder could enable the Group to have full control over the outdoor business and facilitate the synergy of OMG with TOM's other businesses. As a result of the acquisition, the Group's interests in TOM OMG increased from 65% to 100%.

The allocation of the cost of consideration is as follows:

	<i>HK\$'000</i>
Minority interests acquired	151,188
Excess of net assets value acquired over consideration paid	(90,879)
	<u>60,309</u>
Satisfied by:	
Cash	60,000
Payables and direct costs incurred	309
	<u>60,309</u>

The excess of net assets value acquired over consideration paid amounting to HK\$90,879,000 was recognised in the condensed consolidated interim income statement and is attributable to outdoor media group segment.

### (b) Acquisition of additional interests in Beijing Huan Jian Shu Meng Network Technology Limited ("HJSM") in 2008

On 23 May 2008, the Group, through a wholly owned subsidiary, Beijing LingXun Interactive Science Technology and Development Company Limited, entered into an agreement to acquire an additional 25% interests in HJSM for a consideration of RMB5,000,000 (approximately HK\$5,600,000). As a result of the acquisition, the Group's interests in HJSM increased from 75% to 100%.

The allocation of the cost of consideration is as follows:

	<i>HK\$'000</i>
Minority interests acquired	2,775
Goodwill (Note 10)	2,825
	<u>5,600</u>
Satisfied by:	
Cash	3,420
Payables and direct costs incurred	2,180
	<u>5,600</u>

The goodwill is attributable to the expected further synergies that will be brought to the business of TOM Online Group as a whole after the acquisition.

## 21 Commitments

### (a) Capital commitments

Save as disclosed in note (b) below, the Group's maximum capital commitments as at 30 June 2009 are as follows:

	Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
Acquisition of/loans to new investments		
– Contracted but not provided for	213,416	213,416
Acquisition of fixed assets and other intangible assets		
– Authorised but not contracted for	99,053	110,837
	<u>312,469</u>	<u>324,253</u>

### (b) Joint venture (“Joint Venture”) with Ebay International AG (“eBay”)

During the period ended 30 June 2009, additional shareholder's loan of US\$904,000 (approximately HK\$7,051,000) from TOMO has been advanced to the Joint Venture. Therefore, the outstanding commitment of the Group in respect of the Joint Venture totalled US\$13,596,000 (approximately HK\$106,049,000) as at 30 June 2009 (31 December 2008: HK\$113,100,000). For details, please refer to the Company's 2008 annual report.

## 22 Related party transactions

A summary of significant related party transactions, in addition to those disclosed in Notes 12, 14 and 20 to the condensed consolidated interim financial statements, are set out below:

### (a) Sales of goods and services

	Unaudited For the six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Sales to		
– Hutchison Whampoa Limited (“HWL”) and its subsidiaries	19,973	10,053
– minority shareholders of subsidiaries and their subsidiaries	4,440	3,672

### (b) Purchase of goods and services

	Unaudited For the six months ended 30 June 2009 HK\$'000	2008 HK\$'000
Purchase of services payable to		
– minority shareholders of subsidiaries and their subsidiaries	8,441	6,635
Rental payable to		
– an associated company of Cheung Kong (Holdings) Limited (“CKH”)	3,794	5,131
– a subsidiary of CKH	4,259	4,259
– minority shareholders of subsidiaries and their subsidiaries	849	696
Service fees payable to		
– HWL and its subsidiaries	1,593	4,733
Interest expenses payable to		
– minority shareholders of subsidiaries and their subsidiaries	941	943

### (c) Key management compensation

During the periods ended 30 June 2008 and 2009, no transactions have been entered into with the directors of the Company (being the key management personnel) other than the emoluments paid to them (being key management personnel compensation).

**23 Post balance sheet date event**

On 30 June 2009 and 21 July 2009, banking facility agreements with total amounts of HK\$1,400 million and HK\$500 million respectively, have been entered by the Company with several banks in Hong Kong for a period of three years. On 24 July 2009, term loans totaling HK\$1,440 million have been drawn down by the Company under these facilities for the purpose of re-financing its existing short-term bank loans.

Other than the above, there was no other material post balance sheet date events for the Group up to the date of these accounts.

**24 Approval of interim financial statements**

The condensed consolidated interim financial statements have been approved by the Board of Directors on 10 August 2009.

## DISCLOSURE OF INTERESTS

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2009, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Long positions in the shares of the Company

Name of Directors	Capacity	Number of shares of the Company				Total	Approximate percentage of shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Yeung Kwok Mung	Interest of spouse	-	30,000	-	-	30,000	Below 0.01%
Angela Mak	Beneficial owner	44,000	-	-	-	44,000	Below 0.01%

#### (b) Rights to acquire shares of the Company

Pursuant to the Pre-IPO Share Option Plan and/or the Old Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company, details of which as at 30 June 2009 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 30 June 2009	Option period	Subscription price per share of the Company HK\$
Angela Mak	11/2/2000	3,026,000 (Note 1)	11/2/2000-10/2/2010	1.78
	9/10/2003	6,000,000 (Note 2)	9/10/2003-8/10/2013	2.505
James Sha	15/11/2000	15,000,000 (Note 3)	15/11/2000-14/11/2010	5.30



*Notes:*

1. The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.
2. The options have vested in four tranches. The first tranche of 2,700,000 options, the second, third and fourth tranches of 1,100,000 options each have vested on 10 October 2003, 1 January 2004, 1 January 2005 and 1 January 2006 respectively.
3. The options have vested in three tranches in the proportion of 20%:30%:50% on 15 November 2001, 15 November 2002 and 15 November 2003 respectively.

Save as disclosed above, during the six months ended 30 June 2009, none of the Directors or chief executive of the Company was granted options to subscribe for shares of the Company, nor had exercised such rights. No option granted to the above Directors was lapsed or cancelled during the six months ended 30 June 2009.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Outstanding Share Options

As at 30 June 2009, options to subscribe for an aggregate of 62,062,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

### (a) Pre-IPO Share Option Plan

As at 30 June 2009, options to subscribe for an aggregate of 7,116,000 shares of the Company were outstanding and these options relate to the options granted to certain employees of the Group at the date of grant. Details of which were as follows:

	Date of grant	Number of share options				Outstanding as at 30 June 2009	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2009	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors	11/2/2000	3,026,000	-	-	-	3,026,000 (Note)	11/2/2000 – 10/2/2010	1.78
Employees (including ex-employees)	11/2/2000	4,090,000	-	-	-	4,090,000 (Note)	11/2/2000 – 10/2/2010	1.78
<b>Total:</b>		<b>7,116,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,116,000</b>		

*Note:* The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.

**(b) Old Option Scheme**

As at 30 June 2009, options to subscribe for an aggregate of 54,946,000 shares of the Company which were granted to certain Directors, continuous contract employees and ex-employees of the Group were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 30 June 2009	Option period	Subscription price per share of the Company HK\$
		Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
<b>Directors</b> (including ex-directors) <i>(Note 1)</i>	15/11/2000	15,000,000	-	-	-	-	15,000,000	15/11/2000 – 14/11/2010	5.30
	9/10/2003	27,850,000	-	-	-	-	27,850,000	9/10/2003 – 8/10/2013	2.505
<b>Employees</b> (including ex-employees)	23/3/2000	1,326,000	-	-	-	(92,000)	1,234,000	23/3/2000 – 22/3/2010 <i>(Note 2)</i>	11.30
	26/6/2000	508,000	-	-	-	(110,000)	398,000	26/6/2000 – 25/6/2010 <i>(Note 3)</i>	5.89
	8/8/2000	4,982,000	-	-	-	(358,000)	4,624,000	8/8/2000 – 7/8/2010 <i>(Note 4)</i>	5.30
	9/10/2003	6,362,000	-	-	-	(522,000)	5,840,000	9/10/2003 – 8/10/2013 <i>(Note 5)</i>	2.505
<b>Total:</b>		<b>56,028,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,082,000)</b>	<b>54,946,000</b>		

*Notes:*

1. Details of the options granted to the Directors are set out in the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
2. The options have vested in two tranches in the proportion of 50%:50% on 23 March 2005 and 23 March 2006 respectively.
3. The options have vested in two tranches in the proportion of 50%:50% on 26 June 2005 and 26 June 2006 respectively.
4. The options have vested on (i) 8 August 2001 or (ii) 8 August 2001 and 8 August 2002.

5. (i) For certain grantees, all the options have vested on 10 October 2003.
- (ii) For certain grantees, the options have vested in two tranches. The first tranche of the options has vested on 10 October 2003 and the second tranche of the options has vested on the anniversary of their respective joining dates with the Group in 2004.
- (iii) For certain grantees, the options have vested in three to four tranches. The first tranche of the options has vested on 10 October 2003 and the remaining tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2004 and 2005 or 2004, 2005 and 2006 (as the case may be).
- (iv) For certain grantees, the options have vested in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on the anniversaries of their respective joining dates with the Group in 2004, the second and third tranches of the options have vested on the anniversaries of their respective joining dates with the Group in 2005 and 2006.

### (c) **New Option Scheme**

No option has been granted pursuant to the New Option Scheme since its adoption.

### Interests and Short Positions of Shareholders

As at 30 June 2009, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 &amp; 2)</i>	36.70%
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 &amp; 2)</i>	36.70%
Li Ka-Shing Unity Trustcorp Limited <i>(as trustee of another discretionary trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 &amp; 2)</i>	36.70%
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	Trustee	1,429,024,545 (L) <i>(Notes 1 &amp; 2)</i>	36.70%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 &amp; 2)</i>	36.70%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.23%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) <i>(Note 1)</i>	12.23%
Romefield Limited	Beneficial owner	476,341,182 (L) <i>(Note 1)</i>	12.23%
Hutchison Whampoa Limited	Interest of controlled corporations	952,683,363 (L) <i>(Note 2)</i>	24.47%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.47%
Easterhouse Limited	Beneficial owner	952,683,363 (L) <i>(Note 2)</i>	24.47%
Chau Hoi Shuen	Interest of controlled corporations	991,004,363 (L) <i>(Note 3)</i>	25.45%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	991,004,363 (L) <i>(Note 3)</i>	25.45%
Schumann International Limited	Beneficial owner	580,000,000 (L) <i>(Note 3)</i>	14.90%
Handel International Limited	Beneficial owner	348,000,000 (L) <i>(Note 3)</i>	8.94%

(L) denotes a long position

*Notes:*

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnmlink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SFO, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnmlink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold units in The Li Ka-Shing Unity Trust.

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SFO, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 63,004,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 63,004,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

Save as disclosed above, as at 30 June 2009, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## Directors' Interests in Competing Business

---

Mr. Frank Sixt and Mrs. Susan Chow, the non-executive Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and directors of certain of their respective Associates (collectively referred to as "HWL Group" and "CKI Group" respectively). In addition, Mr. Frank Sixt is also a non-executive director of CKH, Hutchison Telecommunications International Limited ("HTIL") and Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") and director of certain of their Associates (collectively referred to as "CKH Group", "HTIL Group" and "HTHKH Group" respectively). Mrs. Susan Chow is a non-executive director and an alternate director of HTIL, a non-executive director of HTHKH and director of certain of their Associates. Mr. Edmond Ip, a non-executive Director, is the deputy managing director of CKH, the senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life"), the deputy chairman of CKI and a non-executive director of Excel Technology International Holdings Limited ("Excel Technology"). HWL Group is engaged in e-commerce, Internet and information technology services. CKH Group, CKI Group, CK Life and Excel Technology are engaged in information technology, e-commerce or new technology where applicable. HTIL Group is engaged in providing mobile and fixed-line telecommunications services, including voice services, broadband services, multimedia services, enhanced calling features, IDD services, international roaming services and mobile and fixed-line Internet services. HTHKH Group operates GSM dual-band and 3G mobile telecommunications services in Hong Kong and Macau under the licensed "3" brand and provides fixed-line telecommunications services in Hong Kong under the licensed "HGC" brand. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Save as disclosed above, none of the Directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group during the six months ended 30 June 2009.

## CORPORATE GOVERNANCE

### Audit Committee

---

The Company has established an audit committee ("Audit Committee") in January 2000. Written terms of reference in compliance with the Listing Rules has been adopted for the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha and a non-executive Director, namely, Mrs. Angelina Lee. Mr. Henry Cheong is the chairman of the Audit Committee.

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee.

## 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 during the six months ended 30 June 2009.

## Model Code for Securities Transactions by Directors

---

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2009.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Securities

---

During the six months ended 30 June 2009, 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 are:*

*Executive Directors:*

*Mr. Yeung Kwok Mung*

*Ms. Angela Mak*

*Non-executive Directors:*

*Mr. Frank Sixt (Chairman)*

*Ms. Debbie Chang*

*Mrs. Susan Chow*

*Mr. Edmond Ip*

*Mrs. Angelina Lee*

*Independent non-executive Directors:*

*Mr. Henry Cheong*

*Ms. Anna Wu*

*Mr. James Sha*

*Alternate Director:*

*Mr. Francis Meehan*

*(Alternate to each of Mr. Frank*

*Sixt, Ms. Debbie Chang, Mrs.*

*Susan Chow and Mr. Edmond Ip)*