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## HISTORY AND REORGANISATION

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The TOM Group is a leading Chinese language cross-media company with diversified interests. Since its inception, the Company has pursued its focused objective to be a leading provider of multimedia products (including content) and services related to content across multiple distribution platforms in Greater China. The Company was listed on GEM in March 2000 and, subsequent to its listing, has developed its content, services, and distribution platforms both organically and through acquisitions. From its original Internet platform, TOM Group has expanded to include five principal distribution platforms for its multimedia services and services related to content: (i) Internet, (ii) outdoor media, (iii) publishing, (iv) sports, and (v) television and entertainment.

The following is a summary of the history of development of the TOM Group.

### BACKGROUND

In 1996, Metro (a company then owned as to 50% by the Cheung Kong Group and as to 50% by the Hutchison Group) launched its first website, metroradio.com.hk. The principal purpose of the site was to provide on-line details of Metro's radio programming. With this in mind, Metro then launched 104fmselect.com in July 1998 and certain radio-based websites.

In September 1999, Metro decided to expand its Internet infotainment business and commenced preparation for a new website, to be branded "mymet.com", to contribute on-line features, functionalities and community products as well as personalised Internet news and entertainment. It also started acquiring PRC-related content.

In order to provide a new and refreshing brand for the depth of content being accumulated, "tom" was created as the single brand under which to launch and promote the broader portal concept. At the same time, the Hutchison Group and the Cheung Kong Group reorganised their existing and planned Internet infotainment businesses into the Company, a new vehicle, then named TOM.COM LIMITED. This reorganisation included the acquisition by the Company in December 1999 of the websites and events production expertise of Metro, which were 50% owned by each of the Hutchison Group and the Cheung Kong Group, for a cash consideration of HK\$310 million. As a result, mymet.com was rebranded and launched as tomcast on 18 January 2000.

### INCORPORATION AND LISTING ON GEM

The Company has been listed on GEM since 1 March 2000 (stock code: 8001). As at the close of business on 23 June 2004, based on the closing price of the Company's Shares on GEM of HK\$1.55 per Share, the Company had a market capitalisation of approximately HK\$6,029 million.

### SPIN-OFF OF TOM ONLINE

In September 2003, the TOM Group established TOM Online as the holding company for TOM Group's core Internet business. Prior to the reorganisation for the spin-off of TOM Online, the Internet Group consisted of twenty-five entities, including nine entities conducting core Internet businesses, such as the provision of Internet services, wireless value-added services, online advertising and commercial enterprises solutions in the PRC, six entities that conducted certain non-core Internet business such as portal and advertising businesses in the PRC and ten entities engaging in either non-portal business within the PRC, online business outside the PRC or are passive investments of the TOM Group.

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In connection with the reorganisation for the spin-off, the Company transferred to TOM Online its interests in its nine core Internet business entities. Most of the operations of the six non-core Internet business entities were transferred to the nine core Internet business entities and such six entities are expected to be wound down except that the Company retained Beijing TOM and Shenzhen Freenet Advertising for offline advertising sales in the PRC to utilize their advertising licenses. The remaining ten business entities in the Internet Group were also retained by the TOM Group as they were engaged in different business areas and/or under different management.

The reorganisation was consummated pursuant to a series of agreements, all of which were duly executed on or by 26 September 2003. All other entities that were not transferred to TOM Online remained with the TOM Group, including the ten business entities excluded from TOM Online, and entities in its publishing, outdoor media, sports and television and entertainment segments.

In addition, in November 2003, TOM Online acquired from Cranwood its 100% interest in Puccini, which provides wireless IVR services through LTWJi. Wireless IVR services are a newly introduced category of wireless value-added services in the PRC that allows users to access prerecorded information from their mobile phones and to interact with other users through chat-room and dating communication services.

In connection with the reorganisation, the TOM Group also entered into various agreements with TOM Online, including a non-competition agreement.

TOM Online was listed on GEM and on the NASDAQ National Market in U.S.A. on 11 and 10 March 2004 respectively. As a result, the Company's shareholding in TOM Online has been diluted from 100% to approximately 71.86% as at the Latest Practicable Date.

### **DEVELOPMENTS OF THE BUSINESS SEGMENTS OF THE TOM GROUP SUBSEQUENT TO THE GEM LISTING**

Subsequent to its listing on GEM in March 2000, the Company has pursued its objective of building its cross-media platform in Greater China through both organic growth and acquisitions. The Company has expanded to include five principal distribution platforms: Internet, outdoor media, publishing, sports and television and entertainment. The history of developments in the five business segments of the TOM Group after its GEM listing is summarised as follows:

#### **Internet Group**

In November 2000, through the acquisition of the entire issued share capital in Rich Wealth Holdings Limited, the TOM Group acquired 100% economic benefits in Shenzhen Freenet, being the owner and operator of 163.net. At the time of such acquisition, Shenzhen Freenet was the largest provider of free e-mail service in the PRC and, according to a survey by CNNIC in June 2000, was perceived as the sixth most influential website in the PRC.

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In December 2000, the TOM Group acquired Shawei.com through the acquisition of the entire issued share capital of Sharkwave Asia Pacific Limited. Shawei.com was launched in July 1999 as the first dedicated sports website in the PRC offering original content and content aggregated from domestic agencies and magazines.

In March 2001, the TOM Group, Great Wall Computer and Great Wall Technology set up GreaTom. Shenzhen Freenet subsequently acquired all the equity interest in GreaTom held by Great Wall Computer. As a result, the Company currently has approximately 50.30 per cent. equity interest and enjoys another 14.37 per cent. economic benefits in GreaTom. GreaTom is primarily engaged in providing technical and consultancy services to Shenzhen Freenet, and provides commercial enterprise solutions and wireless value added services in the PRC.

The TOM Online Group had entered into a series of contractual arrangements, which had been in place since June, 2001, which enabled the TOM Online Group to enjoy economic benefits in Beijing Lei Ting. Beijing Lei Ting is a domestic company which was established in Beijing, the PRC. The TOM Group, through the TOM Online Group, currently enjoys 71.86 per cent. economic benefits in Beijing Lei Ting. Beijing Lei Ting is primarily engaged in providing wireless value-added services and online advertising in the PRC.

In November 2003, the TOM Online Group entered into a series of contractual arrangements which enabled the TOM Online Group to enjoy economic benefits in LTWJi. LTWJi is a domestic company which was established in Beijing, the PRC. In October 2002, LTWJi was among the first service providers to enter into an agreement with China Mobile (Hong Kong) Limited (“China Mobile Hong Kong”) to provide IVR Services, and wireless interactive-voice response services through mobile telephone networks in the PRC. At that time, IVR Services were only available in nine provinces in the PRC, and nationwide services were launched in May 2003. IVR Services are a new category of wireless value-added services in the PRC that allows users to access pre-recorded information from their mobile telephone by dialling access telephone numbers, and to interact with each other in chat-rooms and through one-on-one dating communications services. Mobile telephone users access LTWJi’s IVR Services through China Mobile Hong Kong’s Monternet platform. LTWJi’s IVR Services include weather forecasts, stock prices, news on celebrities, jokes, short stories and songs as well as chat-rooms and dating communications services.

### **Outdoor Media Group**

Since 2000, the TOM Group has entered into a series of contractual arrangements relating to 昆明國佳科技發展有限公司(Kunming Guojia Technology Development Company Limited) and Fench Management respectively through which the TOM Group indirectly enjoys 100 per cent. of the economic benefits in Fench Star. Fench Star was one of the largest outdoor media and advertising companies in the western part of the PRC. It owned 70 per cent. of the outdoor advertising space in Yunnan Province. It also operated a strong outdoor media network and provided a nationwide media agent service in over 19 major cities in the PRC which include Beijing, Shanghai, Guangzhou and Shenzhen, for the rental of billboards, neon signs, light boxes and electronic display units.

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In August 2001, the TOM Group signed an agreement to acquire 65 per cent. interest in Perfect Team Limited (“Perfect Team”) for approximately HK\$50.7 million. Perfect Team Limited is a leading outdoor media operator in Guangdong Province. In June 2004, the TOM Group acquired the remaining 35 per cent. interest in Perfect Team and as a result of which, Perfect Team has become a wholly-owned subsidiary of the Company.

In December 2002, Fench Star acquired 60 per cent. equity interest in Qilu JV, to which the then outdoor advertising business/assets of Qilu and Jinan Qilu have been transferred. At the time of such acquisition, Qilu was the largest outdoor media company in Shandong Province and Jinan Qilu was based in Jinan with a strong presence in the unipole sector. Its wide range of outdoor assets also include newsstand light boxes, lamp post light boxes, taxi stand light boxes and billboards.

In December 2002, Fench Star acquired 60 per cent. equity interest in New Star JV, to which the then outdoor advertising business/assets of New Star have been transferred. At the time of such acquisition, New Star was Dalian’s largest outdoor media company with core outdoor media assets of unipoles, giant billboards and light boxes.

In December 2002, Fench Star acquired 50 per cent. equity interest in Tianming JV, to which the then advertising business/assets of Tianming, including its prime assets are unipoles, double-deck bus advertising, billboards and archway signages have been transferred. At the time of such acquisition, Tianming operated the largest bus advertising fleet in Zhengzhou, Henan Province.

In December 2002, Fench Star acquired 70 per cent. equity interest in Chunyu JV to which the then advertising business/assets of Chunyu have been transferred. At the time of such acquisition, Chunyu was the largest outdoor media company in Qingdao, Shandong Province, and its outdoor media assets included unipoles and billboards along the Qi-qing highway and the airport road in Qingdao. Chunyu also undertook advertising agency business and event organising business.

In December 2002, Fench Star acquired 60 per cent. equity interest in Sano JV, to which the then outdoor advertising business of Sano have been transferred. At the time of such acquisition, Sano was one of the largest outdoor media companies in Shenyang, Liaoning Province. The then self-owned asset portfolio of Sano included bus shelter lightboxes, huge billboards on exteriors of buildings in Shenyang’s commercial districts and unipoles along the airport highway in Shenyang.

In December 2002, Fench Star acquired 60 per cent. equity interest in Bomei JV, to which the then outdoor advertising business/assets of Bomei have been transferred. At the time of such acquisition, Bomei was one of the largest outdoor advertising companies in Xiamen, Fujian Province and owned outdoor media assets ranging from giant billboards and unipoles to lightboxes.

In January 2003, Fench Star acquired 70 per cent. equity interest in Seeout JV, to which the then outdoor advertising business/assets of Seeout have been transferred. Based in Fuzhou, Fujian Province, at the time of such acquisition, Seeout was one of the largest outdoor media companies in the Fujian Province. Seeout’s portfolio of self-owned assets included unipoles and billboards along the Fuzhou-Xiamen-Zhangzhou highway, small unipoles, billboards and lightboxes in Fuzhou and the surrounding areas. Seeout’s also owned exclusive advertising rights of 14 bus shelters among Fuzhou’s busiest streets.

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In January 2003, Fench Star acquired 70 per cent. equity interest in Southwest JV, to which the then outdoor advertising business/assets of Southwest International and Boguang have been transferred. At the time of such acquisition, Southwest International was one of the largest outdoor advertising companies in Chengdu, Sichuan Province. Southwest International owned key outdoor advertising assets along the 360-kilometre Chengdu-Chongqing highway. These highway assets include 30 unipoles and over 90 outdoor billboards at flyovers, toll booths and tunnels. In addition, Southwest International was also an advertising agent for outdoor advertising media including billboards along Sichuan's major highways.

### **Publishing Group**

In March 2001, the TOM Group entered the print media industry by acquiring 50 per cent. interest in Yazhou Zhoukan Limited, one of Asia's leading publishers of Chinese-language regional news magazines.

In July 2001, the TOM Group entered into a joint venture agreement with a unit of China National Publications Import & Export Corporation, or CNPIEC in relation to the formation of a joint venture whereby the TOM Group will be interested in 70 per cent. of the equity interest in the joint venture. CNPIEC is one of the PRC's official importers and exporters of publications. The joint venture enabled the Company to introduce overseas print media to the PRC market in the form of localised co-published editions or imported versions on a selected basis.

During 2001 and 2002, the TOM Group broadened its publishing businesses through entering the Taiwan's print media market by acquiring interests in four of Taiwan's largest publishing groups – PC Home, Cité, Sharp Point and Business Weekly which allowed the TOM Group to inherit an operating knowledge base of Chinese language print media. In July 2003, as part of the TOM Group's integration strategy in Taiwan, it has restructured its holdings in Cite, PC Home, Sharp Point, Business Weekly and Nong Nong Magazine Company Limited (“Nong Nong”) so that they are all subsidiaries of Cité Publishing Holding and are part of a common publishing platform to realise economies of scale and reduce production and distribution costs, which further enhanced the competitive edge of the TOM Group's Taiwan publishing business and business synergies across the TOM Group. As at the Latest Practicable Date, the TOM Group has an effective interest of approximately 83.2 per cent. in each of PC Home, Cité, Sharp Point and Business Weekly.

In November 2002, the TOM Group further expanded its Hong Kong operations by acquiring interests in a local business magazine, Cup, a wholly-owned subsidiary of the Company.

On 4 November 2003, the TOM Group entered into a conditional joint venture agreement with Sanlian under which they will jointly establish a joint venture enterprise known as 北京三聯世紀文化傳播有限公司 (Beijing Sanlian Shiji Wenhua Chuanbo Company Limited) in the PRC which will be engaged in the print media business. Sanlian is currently a state-owned publisher ministered by the Bureau of News and Publishing. The publications of Sanlian have mainly focused on titles related to social science. The joint venture will be owned 49 per cent. by the TOM Group and 51 per cent. by Sanlian. Upon the establishment of the joint venture, the Company will engage in full-scale publishing operations in the PRC.

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### **Sports Group**

The Sports Group was established in 2000, beginning with the acquisition on 31 October 2000 of a 70 per cent. issued share capital in YC Press Advertising, and through a series of contractual arrangements, which enabled the TOM Group to enjoy 70 per cent. economic benefits in each of 廣東羊城報業廣告有限公司 (Guangdong Yangcheng Press Advertising Company Limited) (“GYCPA”) and Yang Cheng Sports. In January 2001 and May 2002, the TOM Group acquired interests in YCP Advertising and established Yang Cheng Advertising respectively to replace the businesses undertaken by YC Press Advertising and GYCPA respectively. The businesses of the Sports Group are now undertaken by YCP Advertising, Yang Cheng Advertising and Yang Cheng Sports. The business of the companies included sports event organising and media and advertising agency work concentrating on domestic, inter-collegiate and high school sports events. In December 2003, the Sports Group entered into further contractual arrangements, which enabled the Sports Group to acquire further interests or enjoy further economic benefits in Yang Cheng Advertising and Yang Cheng Sports. The TOM Group currently enjoys 80 per cent. economic benefits in each of Yang Cheng Advertising and Yang Cheng Sports. In February 2004, the TOM Group acquired further interests in YC Press Advertising and YCP Advertising and the TOM Group currently owns 80 per cent. of the issued share capital in each of YC Press Advertising and YCP Advertising.

In September 2002, the Company added an international sporting right to its portfolio by acquiring 60 per cent. equity interest in Tennis Management, a leading sports marketer primarily engaged in the business of managing sponsorship and marketing of sports events, creating or buying and licensing of rights to sports events and sports advertising with perpetual rights to one of Asia’s three ATP tennis tournaments.

In 2003, the Sports Group has also expanded its business by obtaining new commercial rights including exclusive representation of the PRC’s national sports teams.

### **Television and Entertainment Group**

In March 2002, the TOM Group entered into an agreement for the acquisition of interest in a sino-foreign joint venture enterprise to be established in the PRC, being Hong Xiang which was to acquire the then business/assets of Hong Xiang Productions in relation to the making of (including manufacturing through outsourcing), sale and distribution of audio and video products. The acquisition was completed in April 2004.

In September 2003, the TOM Group acquired approximately 64.07 per cent. of the issued share capital of CETV. CETV is a 24-hour, Putonghua satellite television channel dedicated to delivering general entertainment content to Chinese audience. The CETV channel can be viewed by viewers on the cable systems of Guangdong province, as well as nationwide throughout the PRC via the central platform. CETV is principally engaged in the operations of a satellite television channel and provision of content and television programmes to various platforms including satellite television and syndication networks. CETV is licensed by the Broadcasting Authority in Hong Kong to broadcast television programmes from Hong Kong to audience outside of Hong Kong. In October 2001, CETV became the first foreign television channel to be granted special approval for cable carriage in the Guangdong Province, the PRC, through a reciprocal carriage agreement with CCTV. By the end of 2003, CETV had a reach of more than 23 million TV households in the PRC. CETV can be received and viewed by 80 million households across Asia via the AsiaSat 3S satellite.