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mobile
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cool & fun
internet

Management's Discussion and Analysis
Operations Review



Internet

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Operations Review

It has solidified its position as
**the leading
wireless Internet
company**
in the Mainland China market



The Internet Group posted a growth of 39% in revenues to HK\$1,371 million. Revenues of TOM Online made up 98% of the total. EBITDA of the group was HK\$373 million, an increase of 36% compared to HK\$275 million in year 2004. EBITDA margin was 27% compared to last year's 28%. Segment profit was HK\$348 million versus last year's HK\$250 million.

In year 2005, revenues of TOM Online were derived from two main operating segments: wireless Internet services and online advertising. A minor portion of revenues was from commercial enterprise solutions and other services such as paid email boxes and e-commerce. Wireless Internet services include SMS, MMS, WAP, IVR, and CRBT services, through these services TOM Online provides music and entertainment download, information and community-oriented products, such as news headlines, sports information, games, wallpaper and chat rooms.

Total wireless Internet revenues were HK\$1,263 million, and made up 94% of TOM Online's total revenues versus last year's 92%. Online advertising revenues increased 21% to HK\$72 million for the year compared to year 2004's HK\$59 million; and accounted for 5% of TOM Online's total revenues.

Year 2005 was another momentous year for TOM Online as it has solidified its position as the leading wireless Internet company



in the Mainland China market. Against a more stable regulatory environment compared to year 2004, the Company gained market share against most of its key competitors whilst continuing to bolster its competitive strengths in wireless distribution, operation excellence and integration of wireless services with the portal www.tom.com.

TOM Online also set the foundation for new business opportunities through the creation of joint venture with Skype Technology Limited to focus on next-generation communication tools for



Mainland Internet users, the strategic alliance with UMPAY to develop mobile payment functions for Chinese mobile phone users and the acquisition of Indiagames, a leading mobile games developer based in India.

In year 2006, TOM Online will continue to focus and solidify its leadership in the rapidly growing Chinese wireless Internet market whilst preparing itself for coming 3G and broadband Internet opportunities.

