Chairman's Statement

2006 was a challenging year for TOM Group. The overall operating environment for the Group's businesses was highly competitive and, in the case of our Mainland Internet businesses, adverse regulatory developments seriously impacted our operational and financial performance. Revenues for the full year dropped by 6.3% to HK$2,911 million compared to HK$3,105 million in 2005. Net profit attributable to shareholders for the year was HK$32 million, representing basic earnings per share of HK0.82 cents versus HK6.67 cents in 2005.

Before taking into account one time items like net gain on deemed disposal of interests in subsidiaries realised in 2005, basic earnings per share declined 75% compared to last year. Management has taken and is continuing to take steps to consolidate and rationalise operations and control costs, and is focused on restoring profitability and sustainable growth in 2007.

The Internet Group reported revenues of HK$1,371 million, flat versus last year. Commencing in the second half, TOM Online's wireless business suffered a serious decline in financial and operating performance as a direct result of changes in regulatory and related mobile operator policies in relation to wireless value added services businesses. Segment profit was HK$302 million versus last year's HK$348 million. Segment profit margin for the year was 22.0% compared to last year's 25.4%.

Revenues of the Publishing Group dropped by 8.1% to HK$951 million compared to last year's HK$1,035 million. Segment profit, however, increased by 2.2% to HK$99 million versus HK$97 million in 2005 reflecting an improved margin performance for the segment profit margin from last year's 9.3% to 10.4%. The rationalisation of internal resources continued and five non-profit making publishers were closed during the year. The disposal of *Yazhou Zhoukan* in March 2006 resulted in a revenue reduction of HK$48 million but enhanced overall profitability for the division compared to 2005.

The Outdoor Media Group reported revenues of HK$391 million, a decline of 5.1% compared to last year's HK$412 million, mainly due to a lower overall occupancy rate of the group's media assets for the year. Segment profit dropped by 57.6% to HK$7 million versus last year's HK$16 million, and segment profit margin was 1.7% versus last year's 3.9%. The Group has undertaken significant management changes in this division.

Revenues of the Television and Entertainment Group grew by 15.9% to HK$94 million. Segment loss was HK$50 million, an improvement of 8.3% compared to last year's loss of HK$54 million, which included a disposal gain of HK$12

Chairman's Statement

million from sale of the Group's interest in Huayi Brothers. Excluding this one time gain in 2005, segment loss from this division improved by 24%.

The Sports Group underwent a significant restructuring during the first half of 2006, which included the settlement of litigation and claims with external partners. Revenues for this business group declined by 45.6% to HK$113 million, compared to last year's HK$208 million. The decline was partially attributable to the de-consolidation of revenues from China Open tournament, which totalled HK$65 million in 2005. Following the restructuring, the tournament was operated by an associated company of the Group whereas it had been operated by a subsidiary in 2005. A segment loss of HK$23 million was reported versus last year's segment profit of HK$4 million. In March 2007, the Group signed an agreement to dispose of an associated company, Beijing China Open Promotion Company Limited ("COL") and the subsidiaries holding the memberships of ATP (Association for Tennis Professionals) and WTA (Women Tennis Association) for a total consideration of HK$120.9 million; an impairment provision of HK$11 million relating to the disposal was made in year 2006. Upon completion of the disposal, TOM will exit the sport business and focus its resources on the other four business groups.

On 9 March 2007, the boards of directors of TOM Group and TOM Online jointly announced that on 3 March 2007, a letter was sent by TOM Group to inform TOM Online that TOM Group was considering making a proposal to take TOM Online private by way of a scheme of arrangement ("Proposal") under Section 86 of the Companies Law of the Cayman Islands. On 9 March 2007, TOM Group requested the board of directors of TOM Online to put forward the Proposal to shareholders of TOM Online (other than TOM Group and certain shareholders as specified in the joint announcement of TOM Group and TOM Online dated 9 March 2007).

For further details of the Proposal, please see the joint announcement of TOM Group and TOM Online which was posted on the website of the Growth Enterprise Market and Main Board of The Stock Exchange of Hong Kong Limited on 12 March 2007 and is available on the US Securities and Exchange Commission's website (http://www.sec.gov) via EDGAR.

On behalf of the Board, I would like to thank the management and staff of the Group for their contributions made in year 2006. In 2007, the Group will remain focused on rebuilding profitability and growth across its businesses and expects to achieve continued progress in this regard.

Frank Sixt
Chairman
Hong Kong, 20 March 2007