



TOM Group Limited

TOM集團有限公司*

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

CONNECTED TRANSACTION

Proposed disposal of 50% of
the issued share capital of Yazhou Zhoukan Holdings Limited

The Board announces that on 20 March 2006, the Company, Energetic and YZZK, being subsidiaries of the Company, have entered into the Agreement with Skyland and Ming Pao pursuant to which, among other things, Energetic has agreed to sell the Sale Shares (representing 50% of the issued share capital of YZZK) to Skyland.

The total consideration for the Disposal is HK\$16,200,000 which will be satisfied by the issue and allotment by Ming Pao to Energetic or its nominee of 12,000,000 ordinary shares of Ming Pao at an issue price of HK\$1.35 per share.

YZZK is beneficially owned as to 50% by Energetic and 50% by Skyland. YZZK is treated as a subsidiary of the Company. As Skyland is a substantial shareholder of YZZK, the signing of the Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.32(1) of the Listing Rules, as each of the applicable percentage ratios (other than the profits ratio) calculated according to Rule 14.07 of the Listing Rules is less than 2.5%, the transactions contemplated under the Agreement are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and no independent shareholders’ approval is required.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole and in the ordinary and usual course of business of the Company and the terms of the Agreement are on normal commercial terms.

THE AGREEMENT

Date
20 March 2006

Parties
Vendor: Energetic
Purchaser: Skyland

Other parties: The Company, Ming Pao and YZZK

Assets to be disposed
The Sale Shares, representing 50% of the issued share capital of YZZK.

Major terms of the Agreement
Pursuant to the Agreement, Energetic has agreed to sell the Sale Shares to Skyland. Upon Completion, the Group will cease to have any shareholding interest in YZZK.

Subject to Completion having taken place, Skyland, with effect from 1 January 2006, shall be:

- entitled to the entire economic benefits of and arising from the business operations of YZZK Group; and
- liable for all liabilities incurred by and claimed against the YZZK Group and all outgoings and expenses of whatever nature of the YZZK Group.

Pursuant to the Agreement, each of Energetic, Skyland and YZZK shall procure the capitalisation of the aggregate sum of HK\$9,000,000, representing the sum of such shareholder’s loan of HK\$4,500,000 provided by each of Energetic and Skyland to YZZK, in the share capital of YZZK on Completion.

Consideration
The total consideration for the Disposal is HK\$16,200,000 which will be satisfied by the issue and allotment by Ming Pao to Energetic or its nominee of 12,000,000 ordinary shares of Ming Pao (representing approximately 3.05% of the existing issued share capital of Ming Pao and approximately 2.96% of then issued share capital of Ming Pao as enlarged by the allotment of the Consideration Shares) at an issue price of HK\$1.35 per share, credited as fully paid and shall rank pari passu with the existing ordinary shares of Ming Pao.

The Consideration was arrived at after arm’s length negotiation between the parties and being a price acceptable to the parties with reference to the respective financial performance and asset value of Ming Pao and the YZZK Group.

Conditions precedent
Completion is conditional upon the granting by the Listing Committee of the Stock Exchange of an approval for the listing of, and permission to deal in, the Consideration Shares and, unless otherwise agreed in writing between Energetic and Skyland, in the event that the condition shall not have been satisfied on or before 20 April 2006, the Agreement shall lapse and no party to the Agreement shall make any claim against any other in respect thereof, save for any antecedent breach.

Completion
Completion shall take place on the Business Day after the day upon which the above condition shall have been satisfied or deferred or such date as the parties to the Agreement may agree in writing, but in any event, no later than 30 April 2006.

Information on YZZK
YZZK is an investment holding company. A wholly-owned subsidiary of YZZK is engaged in the publishing of *Yazhou Zhoukan*, an authoritative Chinese current events weekly magazine. The Group acquired 50% of the issued share capital of YZZK for a cash consideration of HK\$60,000,000 on 2 March 2001.

Based on the management accounts of YZZK, the unaudited consolidated net revenues of YZZK prepared in accordance with HK GAAP for the years ended 31 December 2004 and 2005 were approximately HK\$50,350,000 and approximately HK\$48,142,000, respectively. The unaudited consolidated losses both before and after taxation of YZZK prepared under HK GAAP for the years ended 31 December 2004 and 2005 were approximately HK\$7,453,000 and approximately HK\$5,544,000, respectively. As at 31 December 2005, the unaudited consolidated net liabilities of YZZK prepared in accordance with HK GAAP was approximately HK\$60,838,000.

There will be a disposal gain estimated to be approximately HK\$14,000,000 arising from the Disposal based on the Consideration less the carrying value of the investment.

Reasons for entering into the Agreement
By swapping the shares in the YZZK Group into the shares of Ming Pao, the Company is able to have interests in a wider range of publications (including newspaper, magazines and books) in the Greater China Region and have a broader scope of cooperation with this reputable publishing group. In addition, the Directors are of the view that it would be a benefit to the Company to reallocate more resources to publishing business in the PRC and Taiwan.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole and in the ordinary and usual course of business of the Company and the terms of the Agreement are on normal commercial terms.

CONNECTED TRANSACTION

YZZK is beneficially owned as to 50% by Energetic and 50% by Skyland. YZZK is treated as a subsidiary of the Company since the Group has financial and operational control of YZZK Group. As Skyland is a substantial shareholder of YZZK, the signing of the Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.32(1) of the Listing Rules, as each of the applicable percentage ratios (other than the profits ratio) calculated according to Rule 14.07 of the Listing Rules is less than 2.5%, the transactions contemplated under the Agreement are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and no independent shareholders’ approval is required.

GENERAL

The Company (HKSE stock code: 2383) is listed on the main board of the Stock Exchange. A leading Chinese-language media group in the Greater China region, the TOM group has diverse business interests in five key areas: Internet (TOM Online) (Hong Kong GEM stock code: 8282, NASDAQ stock symbol: TOMO), outdoor media, publishing, sports, television and entertainment across markets in Mainland China, Taiwan and Hong Kong.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement” a sale and purchase agreement entered into between the Company, Energetic, Skyland, Ming Pao and YZZK on 20 March 2006 in respect of the Disposal

“Board” the board of directors of the Company

“Business Day” a day (excluding Saturday or Sunday) on which licensed banks in Hong Kong are open for business

“Completion” completion of the sale and purchase of the Sale Shares pursuant to the Agreement

“Company” TOM Group Limited, a company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange

“Consideration” the total consideration of HK\$16,200,000 to be satisfied by the issue and allotment by Ming Pao to Energetic or its nominee of the Consideration Shares at an issue price of HK\$1.35 per share

“Consideration Shares” 12,000,000 new ordinary shares of Ming Pao to be issued and allotted to Energetic or its nominee to satisfy the Consideration

“Director(s)” the director(s) of the Company

“Disposal” the proposed disposal by Energetic of the Sale Shares to Skyland pursuant to the Agreement

“Energetic” Energetic Assets Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of the Company. As at the date of the Agreement, Energetic owns 50% of the issued share capital of YZZK

“Group” the Company and its subsidiaries

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

“HK GAAP” the generally accepted accounting principles in Hong Kong

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“Ming Pao” Ming Pao Enterprise Corporation Limited, a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange. The principal business of Ming Pao is the publication of Chinese newspapers, periodicals and books, provision of travel and related services, and property investment

“PRC” The People’s Republic of China

“Sale Shares” the 6,000 Shares, representing 50% of the issued shares in the capital of YZZK

“Shares” the shares of HK\$1 each in the share capital of YZZK

“Skyland” Skyland International Investment Limited, a company incorporated in the British Virgin Islands, which is an indirect non wholly-owned subsidiary of Ming Pao. The principal business of Skyland is investment holding. As at the date of the Agreement, Skyland owns 50% of the issued share capital of YZZK

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“YZZK” Yazhou Zhoukan Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Energetic and 50% by Skyland. YZZK is treated as a subsidiary of the Company

“YZZK Group” YZZK and its subsidiaries

By Order of the Board
TOM GROUP LIMITED
Angela Mak
Executive Director

Hong Kong, 20 March 2006

As at the date hereof, the Directors are:

Executive Directors:
Ms. Tommei Tong
Ms. Angela Mak

Independent non-executive Directors:
Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha

* for identification purpose

Non-executive Directors:
Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Mr. Wang Lei Lei