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TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

CONNECTED TRANSACTION

Acquisition of remaining 40% of the issued share capital of Tennis Management Limited

The Board announces that on 8 July 2005, Modern Perfect and TML, being subsidiaries of the Company, have entered into the Deed with Spectrum, Spectrum Plus and Mr. Venancio pursuant to which, among other things, proceedings instigated by Spectrum, Mr. Venancio and/or their respective Affiliates against the Company, Modern Perfect and/or their respective Affiliates, including the Petition, have been discontinued. Further, under the Deed, Modern Perfect has acquired the Sale Shares from Spectrum, the Company has transferred to Spectrum or its nominees the Transferring Companies and business comprising the Thailand Operations.

The total consideration under the terms of the Deed is US\$6,880,000.

TML was beneficially held as to 60% by Modern Perfect, a wholly-owned subsidiary of the Company, with the remaining 40% held by Spectrum, a company wholly-owned by Mr. Venancio. Mr. Venancio is a connected person of the Company under the Listing Rules by virtue of his being a director of TML and an indirect substantial shareholder of TML. Further, Spectrum is a substantial shareholder of TML. The signing of the Deed 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 Deed 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 Deed 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 Deed are on normal commercial terms.

On 15 April 2005, the Company reported that the Petition has been presented by Spectrum on 8 April 2005 for the winding up of TML in the High Court of Justice in the British Virgin Islands. The Board wishes to report that on 8 July 2005, Modern Perfect and TML, being subsidiaries of the Company, entered into the Deed with Spectrum, Spectrum Plus and Mr. Venancio pursuant to which, among other things, proceedings instigated by Spectrum, Mr. Venancio and/or their respective Affiliates against the Company, Modern Perfect and/or their respective Affiliates, including the Petition, have been discontinued on 8 July 2005. Further, under the Deed, Modern Perfect has acquired the Sale Shares from Spectrum.

THE DEED

Date

8 July 2005

Parties

1. Spectrum;
2. Modern Perfect;
3. Mr. Venancio;
4. Spectrum Plus; and
5. TML.

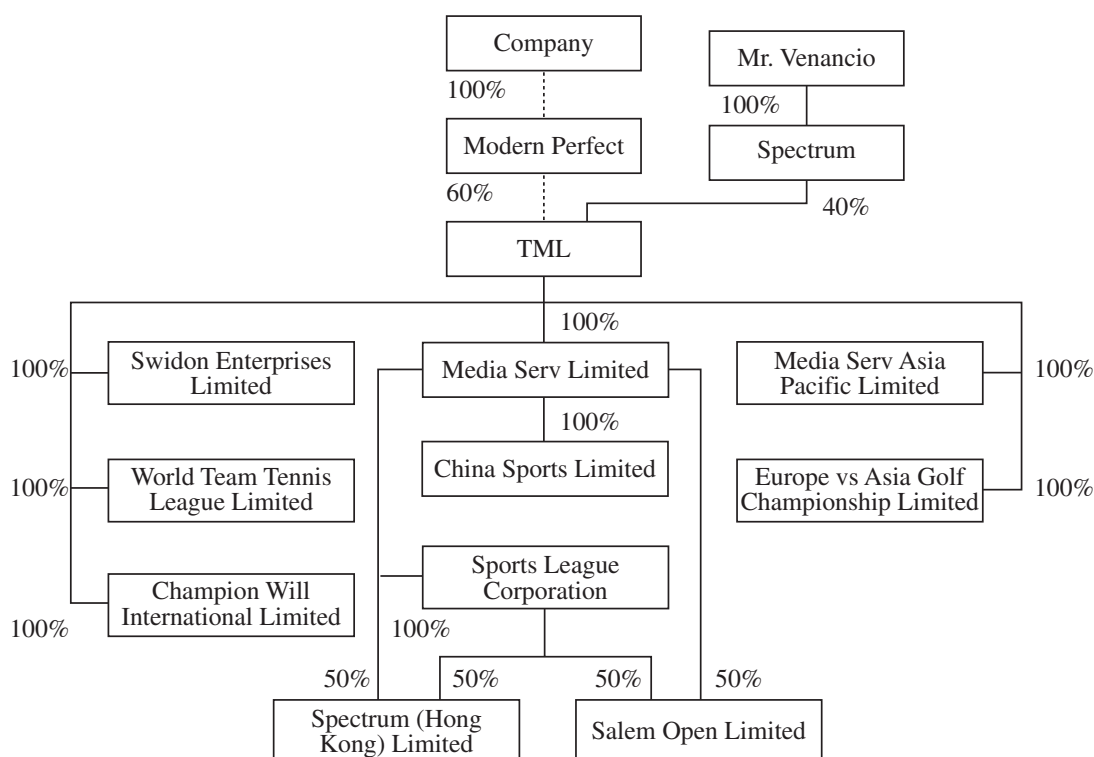
Transactions

Pursuant to the Deed, it has been agreed, among others, that:

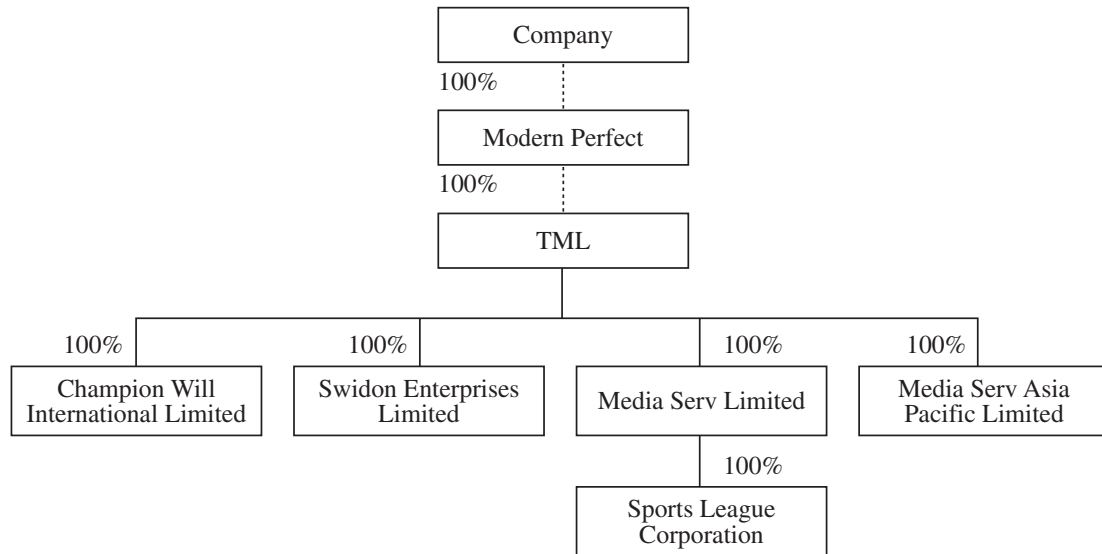
1. the parties to the Deed will release and discharge the others from any liability, duties and obligations from, among others, winding up and other proceedings, shareholders' agreement regulating Modern Perfect and Spectrum's relationship in TML and discontinue the winding up proceedings as instigated under the Petition;
2. Modern Perfect to acquire Spectrum's entire shareholding in TML, being 40% of the issued share capital of TML;
3. TML to sell the Transferring Companies to Spectrum and/or its nominee(s);
4. Modern Perfect to transfer the businesses comprising the Thailand Operations to Spectrum and/or its nominee(s); and
5. Spectrum and Mr. Venancio to procure a transfer of the ATP Right from GWI to TML or its subsidiaries.

Shareholding structure of TML before and after the transactions

(i) *Before the transactions as set out under the section headed "Transactions" above:*



(ii) Upon completion of the transactions as set out under the section headed “Transactions” above:



Note: Business in relation to Thailand Operations will be transferred from Media Serv Limited and Media Serv Asia Pacific Limited to Spectrum or its nominee(s).

Consideration

The total consideration under the terms of the Deed is US\$6,880,000. The consideration shall be for the settlement of the following matters:

1. the purchase of the Sales Shares by Modern Perfect from Spectrum;
2. the transfer of all the shares in the Transferring Companies by TML to Spectrum and/or its nominee(s);
3. the transfer of the Thailand Operations at net asset value by Media Serv Limited and Media Serv Asia Pacific Limited to Spectrum and/or its subsidiary;
4. all outstanding amounts due from the TOM Parties to Mr. Venancio and Spectrum and their respective related companies and/or all outstanding amounts due from Mr. Venancio and Spectrum and their respective related companies to the TOM Parties;
5. all outstanding amounts due from the TML Group to (a) Mr. Venancio and Spectrum and their respective Affiliates; and (b) the Transferring Companies; and
6. the transfer of the ATP Right from GWI to TML or its nominee.

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 historical multiple of earnings of the TML Group, the net book values of the Transferring Companies and the reasons as mentioned in the section headed "Reasons for entering into the Deed" below.

The consideration is payable in three tranches. Modern Perfect shall pay:

1. the initial consideration of the amount of US\$2,064,000 (equivalent to HK\$16,046,980.80) upon the execution of the Deed by the parties thereto (which has been paid on 8 July 2005);
2. the second payment of the amount of US\$3,096,000 on Completion Date subject to GWI on the same Business Day sending the formal application to ATP for the transfer of the ATP Right from GWI to TML or its nominees and the receipt of a consent order to discontinue the winding up proceedings pursuant to the Petition duly signed by Spectrum and the receivers appointed for the winding up proceedings of TML (which has been paid on 8 July 2005); and
3. the third payment of the amount of US\$1,720,000 on the second Business Day after receipt by TML or its subsidiary of written consent of ATP for the transfer of the ATP Right from GWI to the Company or its subsidiary upon payment of a transfer fee or 14 days after the issuance by ATP of a draft transfer agreement for the ATP Right.

Completion

The sale and purchase of the Sale Shares between Modern Perfect and Spectrum completed upon the signing of the Deed.

The sale and purchase of the Transferring Companies between TML and Spectrum completed upon the signing of the Deed.

The completion of the transfer of the business comprising Thailand Operations from members of the Group to Spectrum and/or its nominees will be completed no later than 14 days from the date of the Deed.

The parties to the Deed have agreed that the ATP Right will be transferred by GWI to TML or its subsidiary no later than 31 December 2005.

Financial information of the Transferring Companies, TML and Thailand Operations

Based on the adjusted management accounts of each of the Transferring Companies, the unaudited aggregated net revenues for the year ended 31 December 2003 was approximately HK\$78,000,000. No revenue was recorded for the year ended 31 December 2004 and the six months ended 30 June 2005, respectively. The unaudited aggregated profit both before and after taxation of the Transferring Companies prepared under HK GAAP for the year ended 31 December 2003 was approximately HK\$58,297,000. The unaudited aggregated loss both before and after taxation of the Transferring Companies prepared under HK GAAP for the year ended 31 December 2004 and for the six months ended 30 June 2005 were approximately HK\$8,276,000 and HK\$51,299,000, respectively. As at 30 June 2005, the unaudited aggregated negative net assets of the Transferring Companies prepared in accordance with HK GAAP was approximately HK\$1,446,000.

Based on the adjusted management accounts of TML, the unaudited consolidated net revenues of TML prepared in accordance with HK GAAP for the years ended 31 December 2003 and 2004 and six months ended 30 June 2005 were approximately HK\$12,083,000, approximately HK\$77,764,000 and approximately HK\$390,000, respectively. The unaudited consolidated profit both before and after taxation of the TML prepared under HK GAAP for the years ended 31 December 2003 and 2004 were approximately HK\$3,208,000 and approximately HK\$33,755,000, respectively. The unaudited consolidated loss both before and after taxation of the TML for the six months ended 30 June 2005 was approximately HK\$6,000,000. As at 30 June 2005, the unaudited consolidated net assets of TML prepared in accordance with HK GAAP was approximately HK\$44,441,000.

Based on the adjusted management accounts of TML Group, the unaudited aggregated net revenues of Thailand Operations prepared in accordance with HK GAAP for the years ended 31 December 2003 and 2004 were approximately HK\$7,244,000 and approximately HK\$5,937,000, respectively. The unaudited aggregated profit both before and after taxation of the Thailand Operations prepared under HK GAAP for the years ended 31 December 2003 and 2004 were approximately HK\$3,301,000 and approximately HK\$2,359,000, respectively. No revenue and profit and loss of Thailand Operations was recorded for the six months ended 30 June 2005. As at 30 June 2005, the unaudited aggregated net assets of Thailand Operations prepared in accordance with HK GAAP was approximately HK\$5,617,000.

Reasons for entering into the Deed

China has been enjoying high growth in the sports related market over the past number of years, particularly when 2008 Beijing Olympics is approaching. With the great success of the first China Open Tennis Tournament (in which over 300 leading tennis players participated) organized by the TML Group last year, the Directors are of the view that further increase in the shareholding of the TML Group will well position the Company to capture the growing value of the China Open Tennis Tournament and other sports related assets in the region. At the price earnings multiple of approximately 4.8 times with reference to the unaudited 2004 profit of the TML Group mentioned above, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Deed, that at the same time settles the differences between Modern Perfect and Spectrum, 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 Deed are on normal commercial terms. The total consideration payable under the Deed comprises the payment for the purchase of 40% of the issued share capital of TML, dividend distribution and remuneration and other payments.

The Company elected to sell the Transferring Companies to Spectrum as part of the corporate reorganization of the TML Group. With the transfer of the Thailand Operations to Spectrum, TML Group will focus its sporting business in China.

The TML Group is a profit making subsidiary of the Company engaged in hosting and organizing sports events in Asia (most notably the hosting and organizing of the annual ATP and WTA tennis tournaments in Beijing, namely the China Open Tennis Tournament).

The Transferring Companies are either engaged in the provision of services to the TML Group or the operation of sports events in Thailand.

CONNECTED TRANSACTION

TML was beneficially held as to 60% by Modern Perfect, a wholly-owned subsidiary of the Company, with the remaining 40% held by Spectrum, a company wholly-owned by Mr. Venancio. Mr. Venancio is a connected person of the Company under the Listing Rules by virtue of his being a director of TML and an indirect substantial shareholder of TML. Further, Spectrum is a substantial shareholder of TML. The signing of the Deed 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 Deed 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.

Spectrum is an investment holding company and Spectrum Plus is engaged in the provision of services for sporting activities. Spectrum Plus is a wholly-owned subsidiary of Spectrum and Spectrum held 40% shareholding in TML. Mr. Venancio is the ultimate beneficial owner of Spectrum.

Modern Perfect is a holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

Prior to the acquisition of the Sale Shares, TML was beneficially held as to 60% by the Company through its wholly-owned subsidiary, Modern Perfect, and 40% by Spectrum. TML is now a wholly-owned subsidiary of Modern Perfect.

The Company confirms that, save as already disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the counterparties, and the ultimate beneficial owners of the counterparties are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

DEFINITIONS

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

“Affiliate”	In relation to any person, any subsidiary or holding company of such person, any subsidiary of such holding company, in addition it includes any company in which such person or any such holding company holds or controls directly or indirectly not less than 30% of the issued share capital. The expression “ <u>holding company</u> ” and “ <u>subsidiary</u> ” shall be as defined in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“ATP”	ATP Tour, Inc.
“ATP Right”	GWI’s membership as a full tournament class member of ATP
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturday) on which banks are generally open for business in the PRC
“Company”	TOM Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange
“Completion Date”	8 July 2005
“Director(s)”	the director(s) of the Company
“Deed”	a deed of settlement entered into between Spectrum, Modern Perfect, Mr. Venancio, Spectrum Plus and TML on 8 July 2005
“GWI”	Green World International Limited, the holder of the ATP Right and wholly-owned by Mr. Venancio

“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
“Modern Perfect”	Modern Perfect Developments Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and a 60% shareholder of TML
“Mr. Venancio”	Mr. Lincoln Serejo Venancio, a director of TML and owns the entire issued share capital of Spectrum
“Petition”	a petition presented by Spectrum on the winding up of TML on 8 April 2005 in the High Court of Justice in the British Virgin Islands
“PRC” or “China”	the People’s Republic of China
“Sale Shares”	the 40 TML Shares, representing 40% of the issued shares in the capital of TML
“Spectrum”	Spectrum International Holding Limited, a company incorporated in the British Virgin Islands, wholly-owned by Mr. Venancio and holds 40% of the issued share capital in TML
“Spectrum Plus”	Spectrum Plus Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Venancio
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Thailand Operations”	the business of the TML Group in relation to the distribution of television broadcast rights to television companies in Thailand, the Thailand Open ATP Tennis Tournament and the Europe vs Asia Team Golf Championship which are operated primarily through various agreements between Media Serv Limited, International Tennis Promotions Limited, Media Serv Asia Pacific Limited and Amen Corner Limited respectively, and any other activities which are carried on ancillary thereto including the benefit, liabilities and obligations of the agreements relating to such activities
“TML”	Tennis Management Limited, a company incorporated in the British Virgin Islands and was beneficially held as to 60% by Modern Perfect, a wholly-owned subsidiary of the Company, with the remaining 40% held by Spectrum, a company wholly-owned by Mr. Venancio
“TML Group”	TML and the TML Subsidiaries
“TML Shares”	the shares of US\$1 each in the share capital of TML
“TML Subsidiaries”	Media Serv Limited, Sports League Corporation, Swidon Enterprises Limited, Champion Will International Limited and Media Serv Asia Pacific Limited
“Transferring Companies”	World Team Tennis League Limited, Spectrum (Hong Kong) Limited, Salem Open Limited, China Sports Limited and Europe vs Asia Golf Championship Limited
“TOM Parties”	the Company and Modern Perfect and their respective Affiliates

“US\$”

the United States dollars, the lawful
currency of the United States of
America

*For illustration purpose only, translation of US\$ to HK\$ are made
at a rate of US\$1 = HK\$7.8. No representation is made that any
amounts in US\$ of HK\$ could have been or could be converted
at the above rates or at any other rates at all.*

By Order of the Board
TOM GROUP LIMITED
Angela Mak
Company Secretary

Hong Kong, 8 July 2005

As at the date hereof, the directors of the Company are:

Executive Directors:

Mr. Sing Wang

Ms. Tommei Tong

Independent non-executive Directors:

Mr. Henry Cheong

Ms. Anna Wu

Mr. James Sha

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Susan Chow

Mr. Edmond Ip

Mrs. Angelina Lee

Mr. Wang Lei Lei

** for identification purpose*

Please also refer to the published version of this announcement
in The Standard.