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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)

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the section headed “Continuing Connected Transactions” in the 2005 Annual Report, TOM International has entered into the Existing HIL Advertising Services Agreement with HIL. As the Existing HIL Advertising Services Agreement expired on 31 December 2005, TOM International and HIL have entered into the New HIL Advertising Services Agreement for the three years ending 31 December 2008.

As HIL is a substantial shareholder of the Company, the transactions contemplated under the New HIL Advertising Services Agreement constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, as each of the applicable percentage ratios for the transactions contemplated under the New HIL Advertising Services Agreement is on annual basis less than 2.5%, such transactions 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.

NEW HIL ADVERTISING SERVICES AGREEMENT

As disclosed in the section headed “Continuing Connected Transactions” in the 2005 Annual Report, TOM International has entered into the Existing HIL Advertising Services Agreement with HIL for the provision of the print, publishing, advertising and other services to the HIL Group for a term from 1 January 2003 to 31 December 2005, subject to the Caps

of HK\$7,000,000, HK\$7,400,000 and HK\$15,000,000 for the years ended 31 December 2003, 2004 and 2005, respectively. None of the aforesaid Caps for each of the three years ended 31 December 2005 has been exceeded.

As the Existing HIL Advertising Services Agreement expired on 31 December 2005, TOM International and HIL have entered into the New HIL Advertising Services Agreement. Details of which are set out below:

Date: 8 September 2006

Parties: (1) TOM International
(2) HIL

Services provided: TOM International shall provide, and/or to procure other members of the Group to provide, the following services (which are the same services as provided under the the Existing HIL Advertising Services Agreement) to the HIL Group on such terms and conditions as may be separately determined and agreed between the relevant members of the Group and of the HIL Group from time to time during the term of this agreement:

- print and publishing services including the customized publishing services provided in accordance with the specific requirements of each individual customer
- advertising services including print, outdoor and online advertising services
- public relations and sports event management and other organization services (such as organizing press conferences, sports events and road shows, etc.)
- website development, maintenance and/or hosting services

Fee: The amount, payment method and details of the fee payable for the provision of the aforesaid services shall be separately determined and agreed between such member of the Group who provides the relevant services and such member of the HIL Group who requested the said services prior to their entering into each of such transactions.

Charging basis: The fee for such services shall be calculated with reference to the then market rate for the provision of the relevant services.

Term: From 1 January 2006 and expiring on 31 December 2008

Caps:

For the year ending 31 December 2006 – HK\$23,000,000

For the year ending 31 December 2007 – HK\$24,000,000

For the year ending 31 December 2008 – HK\$25,000,000

Basis for determining the Caps:

It is expected that the Group will actively pursue advertising contracts with the HIL Group on all its media, such as outdoor media, Internet, event promotion in the coming years, accordingly higher amounts of the Caps have been set for the three years ending 31 December 2008 as compared with the Caps set for the Existing HIL Advertising Services Agreement.

In addition, the aforesaid Caps are determined based on (i) contracts signed up to the date hereof in 2006 and under negotiations with the HIL Group; and (ii) the internal projection of the value of the contracts to be entered into with the HIL Group for the years ending 31 December 2006, 2007 and 2008 with reference to the anticipated annual growth rate of approximately 4% in amount for the services to be provided to the HIL Group for the three years ending 31 December 2008.

For information purpose, the amount payable by the HIL Group for the aforesaid services for the eight months ended 31 August 2006 was approximately HK\$2,500,000. As each of the applicable percentage ratios for the aforesaid amount is less than 0.1%, such transactions are exempt from the reporting, announcement and independent shareholder's approval requirements under Chapter 14A of the Listing Rules. Based on the contracts currently under discussion with the HIL Group in respect of the media buying and event management services for certain events of the HIL Group to be held in the fourth quarter of 2006 and if finalised, the Company expect that the balance amount of the Cap for 2006 will be reached.

Reasons for entering into the New HIL Advertising Services Agreement

The Group is a leading media group in the Greater China region and has diverse business interests in the areas of Internet, outdoor media, publishing, sports, television and entertainment. The Hutchison Group is one of the founding shareholders of the Company and has various businesses globally including Hong Kong and the Greater China area. The supply of the advertising services pursuant to the New HIL Advertising Services Agreement and the related transactions have formed part of the normal commercial activities of the Group. The transactions contemplated under the New HIL Advertising Services Agreement are also the normal business activities of the relevant members of the HIL Group.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the New HIL

Advertising Services Agreement are and will continue to be conducted in the usual and ordinary course of business of the Group and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the New HIL Advertising Services Agreement were entered into on normal commercial terms (terms no less favourable to the Group than terms available to or from independent third parties), and the terms and the relevant Caps are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Continuing connected transactions

As HIL is a substantial shareholder of the Company, the transactions contemplated under the New HIL Advertising Services Agreement constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. However, as each of the applicable percentage ratios for the transactions contemplated under the New HIL Advertising Services Agreement is on annual basis less than 2.5%, such transactions 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 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

“2005 Annual Report”	means the annual report of the Company for the year ended 31 December 2005
“Board”	means the board of directors of the Company
“Cap”	means the maximum annual aggregate value of a transaction
“Company”	means 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
“Director(s)”	means the director(s) of the Company
“Existing HIL Advertising Services Agreement”	means the advertising services agreement dated 2 July 2003 entered into between TOM International and HIL in respect of the provision of the print, publishing, advertising and other services to the HIL Group

“Group”	means the Company and its subsidiaries
“HIL”	means Hutchison International Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Hutchison Whampoa Limited. HIL is a substantial shareholder (as defined under the Listing Rules) of the Company
“HIL Group”	means HIL and its subsidiaries from time to time
“HK\$”	means Hong Kong dollars
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hutchison Group”	means Hutchison Whampoa Limited and its subsidiaries
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“New HIL Advertising Services Agreement”	means the advertising services agreement dated 8 September 2006 entered into between TOM International and HIL in respect of the provision of the print, publishing, advertising and other services to the HIL Group
“PRC” or “Mainland China”	means the People’s Republic of China
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning ascribed thereto in the Companies Ordinance of Hong Kong
“TOM International”	means TOM Group International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

By Order of the Board
TOM GROUP LIMITED
Pessy Yu
Company Secretary

Hong Kong, 8 September 2006

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

Executive Directors:

Ms. Tommei Tong

Ms. Angela Mak

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Susan Chow

Mr. Edmond Ip

Mrs. Angelina Lee

Mr. Wang Lei Lei

Independent non-executive Directors:

Mr. Henry Cheong

Ms. Anna Wu

Mr. James Sha

** For identification purpose*

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