

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

CONNECTED TRANSACTION

Proposed acquisition of 25% of the equity interest in Beijing Huanjian Shumeng Network Technology Limited

The Board is pleased to announce that on 23 May 2008, Beijing LingXun, a non wholly-owned subsidiary of the Company, has entered into the Agreement with Mr. Kong, under which, Beijing LingXun has agreed to acquire 25% of the equity interest in HJSM from Mr. Kong at the total consideration of RMB5,000,000 (approximately HK\$5,550,000).

HJSM is currently owned as to 75% by Beijing Lei Ting, a non wholly-owned subsidiary of the Company and as to 25% by Mr. Kong. Mr. Kong is a connected person of the Company by virtue of his being a substantial shareholder of HJSM, the signing of the Agreement 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 for the Acquisition is less than 2.5%, the Acquisition is 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 AGREEMENT

Date

23 May 2008

Parties

Vendor: Mr. Kong

Purchaser: Beijing LingXun

Assets to be acquired

25% of the equity interest in HJSM.

Major terms of the Agreement

Pursuant to the Agreement, Beijing LingXun has agreed to acquire 25% of the equity interest in HJSM from Mr. Kong.

Upon completion of the aforesaid transfer of equity interest, HJSM will be owned as to 75% by Beijing Lei Ting and as to 25% by Beijing LingXun. Beijing Lei Ting and Beijing LingXun are non wholly-owned subsidiaries of the Company.

Consideration

The total consideration for the Acquisition is RMB5,000,000 (approximately HK\$5,550,000). The Consideration will be funded by the internal resources of the Group.

The Consideration will be paid by Beijing LingXun in the following manners:

- (a) RMB3,000,000 (approximately HK\$3,330,000) (being 60% of the Consideration) will be payable in cash within 15 Business Days after the day on which the following conditions have been fulfilled:
 - (i) the Agreement having been duly executed;
 - (ii) Mr. Kong having completed the handover work to Beijing LingXun for the purpose of the Acquisition; and
 - (iii) the relevant documents in relation to the transfer of equity interest in HJSM having been duly executed and the change of shareholders in HJSM and the relevant amendments to the articles of association of HJSM having been duly registered with the Ministry of Industry and Commerce.
- (b) RMB2,000,000 (approximately HK\$2,220,000) (being 40% of the Consideration) will be payable in cash after the monthly WVAS (wireless valued added services) gross profit arising from HJSM's novels content has reached RMB1,000,000 (approximately HK\$1,110,000).

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 present and future financial performance and the strategic value of HJSM to the integrated internet and wireless business of the Group as described under the section headed "Reasons for entering into the Agreement" below.

Information on HJSM

HJSM is an operator of an Internet website at hjsm.tom.com which provides original Chinese novels to its users. HJSM has over 35,000 original novels covering fantasies, marital arts, sci-fi, metropolitan and love stories. Beijing Lei Ting acquired 75% of the equity interest in HJSM for an aggregate consideration of RMB22,000,000 (approximately HK\$24,420,000) on 4 January 2006.

Based on the management accounts of HJSM, the unaudited loss before taxation of HJSM prepared under PRC GAAP for the years ended 31 December 2006 and 2007 were approximately RMB1,319,000 (approximately HK\$1,464,090) and approximately RMB1,927,000

(approximately HK\$2,138,970) respectively. The unaudited loss after taxation of HJSM prepared under PRC GAAP for the years ended 31 December 2006 and 2007 were approximately RMB1,412,000 (approximately HK\$1,567,320) and approximately RMB1,953,000 (approximately HK\$2,167,830) respectively. As at 31 December 2007, the unaudited net assets of HJSM prepared in accordance with PRC GAAP was approximately RMB6,700,000 (approximately HK\$7,437,000).

Reasons for entering into the Agreement

The Company considers that the existing investment in HJSM has helped to increase traffic to its internet portal, increased online advertising opportunities and generated synergies with the wireless business of the Group through the provision of literature content.

With the acquisition of the remaining 25% of the equity interest in HJSM under the Agreement, the change of strategy of HJSM from the solely internet business to integrated internet and wireless business can be executed smoothly. HJSM will be integrated into the Wireless Division of the Group and provides novels content to the Wireless Division for mobile e-book business (a new service that we provide the novels content to mobile phone users through mobile operators' platforms) so as to increase the overall profitability of the Group.

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

CONNECTED TRANSACTION

HJSM is currently owned as to 75% by Beijing Lei Ting, a non wholly-owned subsidiary of the Company and as to 25% by Mr. Kong. Mr. Kong is a connected person of the Company by virtue of his being a substantial shareholder of HJSM, the signing of the Agreement 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 for the Acquisition is less than 2.5%, the Acquisition is 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. Mr. Kong has not entered into other transactions with the Group within the preceding 12 months that require aggregation, hence there is no aggregation issue in accordance with Rule 14A.25 of the Listing Rules.

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 four key areas: Internet, outdoor media, publishing and television & entertainment across markets in Mainland China, Taiwan and Hong Kong.

DEFINITIONS

“Acquisition”	means the proposed acquisition by Beijing LingXun of 25% of the equity interest in HJSM from Mr. Kong pursuant to the Agreement
“Agreement”	means a share transfer agreement entered into between Beijing LingXun and Mr. Kong on 23 May 2008 in respect of the Acquisition

“Beijing Lei Ting”	means 北京雷霆萬鈞網絡科技有限責任公司(Beijing Lei Ting Wan Jun Network Technology Limited), a limited liability company established in the PRC. As at the date of this announcement, Beijing Lei Ting is owned as to approximately 90.002% by the Group through the contractual arrangement
“Beijing LingXun”	means 北京靈訊互動科技發展有限公司 (Beijing LingXun Interactive Science Technology and Development Company Limited), a limited liability company established in the PRC. As at the date of this announcement, Beijing LingXun is owned as to approximately 90.002% by the Group through the contractual arrangement
“Board”	means the board of directors of the Company
“Business Day”	means a day (excluding Saturday or Sunday) on which banks are generally open for business in the PRC
“Company”	means TOM Group Limited, a company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange
“Consideration”	means the total consideration for the Acquisition, being RMB5,000,000 (approximately HK\$5,550,000)
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“HJSM”	means 北京幻劍書盟科技發展有限公司(Beijing Huanjian Shumeng Network Technology Limited), a limited liability company established in the PRC. As at the date of this announcement, HJSM is owned as to 75% by Beijing Lei Ting and as to 25% by Mr. Kong
“HK\$”	means Hong Kong dollars
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kong”	means Kong Yi (孔毅), who owns 25% of the equity interest in HJSM as at the date of this announcement
“PRC”	means The People’s Republic of China
“PRC GAAP”	means the generally accepted accounting principles in the PRC
“RMB”	means Renminbi
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

RMB1 = HK\$1.11

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

Hong Kong, 23 May 2008

As at the date hereof, the Directors are:

Executive Directors:

*Mr. Wang Lei Lei
(Deputy Chairman)
Mr. Yeung Kwok Mung
Ms. Angela Mak*

Non-executive Directors:

*Mr. Frank Sixt (Chairman)
Ms. Debbie Chang
Mrs. Susan Chow
Mr. Edmond Ip
Mrs. Angelina Lee
Ms. Tommei Tong*

*Independent non-executive
Directors:*

*Mr. Henry Cheong
Ms. Anna Wu
Mr. James Sha*

Alternate Director:

*Mr. Francis Meehan
(Alternate to each of Mr. Frank
Sixt, Ms. Debbie Chang, Mrs.
Susan Chow and Mr. Edmond Ip)*

** for identification purpose*