



Wang Leilei, President of TOM Online

imgchina

Mainland Media Mogul?

TOM seems to be making a bid for domination

By Mark Andrews

“ Many commentators dismissed TOM.com for what at the beginning was a portal with little content ”

In recent months, TOM has been in the headlines frequently, seemingly on a shopping spree. If you don't know the company by now, there is a good chance that you soon will, as it makes inroads in the media market here through partnerships and takeovers.

TOM's birth was in October 1999 when it was formed from a spin-off of Hutchinson Whampoa's and Cheung Kong Holdings' media branches under the name TOM.com. As such the real father is Hong Kong tycoon Li Ka Shing. February 2000 saw an IPO that was 669 times oversubscribed. Many commentators dismissed TOM.com for what at the beginning was a portal with little content. And, things got worse as its share price tanked in the ensuing bursting of the dot com bubble.

But TOM fooled everyone and reinvented itself, dropping the .com from its annual report in 2000 and launching itself from its new media plat-

form into traditional media. Today, TOM Group consists of five major divisions: Internet (TOM Online), outdoor advertising (TOM Outdoor Media Group), publishing, sports, television and entertainment across markets in mainland China, Taiwan and Hong Kong.

In a change of fortunes, the Internet part of TOM Group helped the company realise its first ever profit in 2003. This led to a re-emergence of the dot com TOM with the IPO of TOM Online in March 2004 on the NASDAQ and Hong Kong exchanges. Essentially TOM Online is what the original TOM.com set out to be and comes as vindication of the original concept.

As recently as 2001, JP Morgan Internet analyst Victor Lai was quoted in Asiaweek magazine saying that Li Ka Shing was aiming with TOM to be the Rupert Murdoch of China. Certainly what is shaping up is a diversified media conglomerate.

TOM Online has been quite busy with acquisitions and partnerships, both big and small, on the mainland. In November last year, it added Whole Win Investments, a fast-growing 2.5G mobile phone services provider, to its network. This was hot on the heels of the August purchase of Treasure Base, a leading wireless entertainment company. Treasure Base brought with it partnerships with many TV channels including CCTV5, the all important sports channel. These purchases help to strengthen TOM Online's position in the wireless value added services (WVAS) and interactive voice response (IVR) markets. WVAS and IVR services deliver such things as news, sports results, information, and ring tones to mobile phone users.

Now there is TOM-Skype, a partnership between the Internet portal tom.com and Luxemburg-based Skype Technologies S.A. This, according to Duncan Clark, a telecoms tech consultant with BDA China, could indicate a change in strategy. He believes that TOM Online will have increasing problems with WVAS and IVR. "These were previously high-growth markets but the pace is slowing and restrictions are increasing," Clark said.

December saw TOM Group acquiring a 35 percent stake in Huayi Brothers, one of the most successful and profitable private film and television production companies in China. The deal allows TOM or other investors to increase their stake in the company to 50 percent within a few years,

plus a possible public listing. Prospects of synergies or partnerships also exist as TOM already owns CETV (China Entertainment Television), acquired from Warner Brothers in 2003.

There has also been talk of a deal with Xinhua Bookstore. TOM Group has been looking at partnerships in a number of provinces where restructuring of the state-owned book distributor has been completed. Such a purchase would help with distribution for its publishing interests. A bid was placed for 49 percent of Shanghai Xinhua Distribution but this failed due to TOM's cautious approach to acquisitions of never paying too high a price.

TOM's immediate strategy would appear to turning itself a one-stop advertising house. This has been made possible both by organic growth and acquisitions. What TOM potentially allows an advertiser to do is reach an audience via adverts on billboards, TV, sports events, Internet, magazines, and mobile phone.

Is Li Ka Shing trying to become the Murdoch of Asia with TOM? It may well be too early to tell. To put things in perspective TOM Group's turnover was HK\$515 million for the three months to March 2004 compared with US\$840 million for Murdoch's News Corporation. But TOM is continuing with double-digit growth and feverish expansion in what is currently the hottest market in the world. ■

Happy Chinese New Year!!!

Access to Pudong Shanghai ... Stay at Ramada Plaza Pudong



Complimentary unlimited use of Broadband in all guest rooms



18 Xin Jinqiao Road, Pudong, Shanghai 201206 P.R.C.
Tel:(86-21)5055 4666 Fax:(86-21)5030 8999
E-mail:sm@ramadaplazapd.com www.ramadaplazapd.com