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TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code on Main Board: 2383

Stock code on GEM: 8001

ANNOUNCEMENT

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON THE
GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
WAIVER OF MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
PROPOSED TERMINATION OF THE EXISTING
SHARE OPTION SCHEME AND PROPOSED
ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,
DISCLOSURE OF CERTAIN FINANCIAL AND OTHER
INFORMATION, ADOPTION OF NEW ARTICLES IN SUBSTITUTION
FOR THE EXISTING ARTICLES
AND
GRANT OF NEW GENERAL MANDATES
AND REVOCATION OF EXISTING GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES**

Sponsor

Morgan Stanley

The Company is proposing to list the Shares on the Main Board by way of introduction. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn. In connection with the Proposed Introduction, the Company proposes to terminate the Existing Scheme, adopt the Proposed Scheme, adopt the New Articles in substitution for all the Existing Articles, to grant to the Directors new general mandates to issue and repurchase Shares and revoke the Existing General Mandates. On

24 June 2004, the Sponsor was notified that the Listing Committee of the Main Board granted an approval in principle of the proposed listing of the Shares on the Main Board. The Circular containing, amongst other matters, a notice of the EGM will be despatched to the Shareholders on 29 June 2004. The Listing Document issued in connection with the Proposed Introduction will also be despatched to the Shareholders, for information purposes only, on 29 June 2004.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Proposed Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Proposed Introduction are subject to the conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Proposed Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 8 April 2004, the Board announced that an advance booking form to the Stock Exchange for the Proposed Introduction was submitted and the Stock Exchange was also notified of the Company's intention to implement the Proposed Withdrawal subject to the conditions set out below. On 24 June 2004, the Sponsor was notified that the Listing Committee of the Main Board granted an approval in principle of the proposed listing of the Shares on the Main Board.

THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

On 27 May 2004, the Company submitted a formal application to the Stock Exchange for the listing of, and permission to deal on the Main Board in, (a) the Shares in issue; (b) any Shares which may be issuable upon the exercise of any options which were granted under the Pre-IPO Share Option Plan or the Existing Scheme; (c) any Shares which may be issuable upon the exercise of any options which may, prior to the termination of the Existing Scheme, be granted under the Existing Scheme or any options which may be granted under the Proposed Scheme; (d) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds; and (e) any Shares issuable by the Company as further described in the section headed "Summary of outstanding Shares to be issued by the TOM Group" in Appendix VIII to the Listing Document.

Immediately prior to the Proposed Introduction, the listing of the Shares on GEM will be withdrawn. Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (a) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (b) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to, and the Stock Exchange has granted, a waiver from strict compliance with the minimum three-month notice required under the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (a) the prior approval of the Shareholders for the reduction in the notice period for the Proposed Withdrawal to a minimum period of five clear Business Days shall have been obtained;
- (b) in respect of the Shares, there is no change in the board lot size, the share certificates, the registrars of the Shares and the trading currency in connection with the proposal to transfer its listing status; and
- (c) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the EGM is convened to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal. After the approval shall have been obtained, a notice of the Proposed Withdrawal will be publicated not less than five clear Business Days before the Effective Date.

The Directors consider that it is in the best interest of the Shareholders and the Company as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the EGM.

WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07 AND 10.08 OF THE MAIN BOARD LISTING RULES

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of listing on the Main Board as required by Rule 10.08 of the Main Board Listing Rules and a consequential waiver from strict compliance with the restrictions under Rule 10.07 of the Main Board Listing Rules in respect of the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company within six months of listing of the Shares on the Main Board (“Deemed Disposal Waiver”). Save and except for the Deemed Disposal Waiver, the controlling shareholders of the Company are subject to the restrictions on disposal of Shares under Rule 10.07 of the Main Board Listing Rules.

CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The implementation of the Proposed Withdrawal and the Proposed Introduction is conditional upon, amongst other things:

- (a) the Listing Committee granting approval to the listing of, and permission to deal on the Main Board in the Shares mentioned under the paragraph headed “The Proposed Withdrawal and the Proposed Introduction” above;

- (b) the passing of an ordinary resolution by the Shareholders at the EGM to approve, amongst other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal;
- (c) the publication of a notice of the Proposed Withdrawal after obtaining the approval of the Shareholders referred to in condition (b) above on a date that is no less than five clear Business Days prior to the Effective Date; and
- (d) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and Proposed Introduction and fulfilment of all conditions which may be attached to such consents, including but not limited to, the consent to the Proposed Withdrawal and Proposed Introduction of DB Trustees (Hong Kong) Limited, the trustee of the trust deed constituting the Convertible Bonds and the publication of a notice to the Bondholders, or of the Bondholders (if necessary) and/or satisfying any other applicable requirements relating thereto.

EFFECTS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make an announcement after the EGM on the results of the EGM and other information on the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Proposed Introduction.

The Proposed Withdrawal and the Proposed Introduction will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. The Directors propose no change to be made to the board lot size, trading currency of the Shares and the registrars of the Shares in connection with the Proposed Withdrawal and the Proposed Introduction. Shares will continue to be traded in board lots of 2,000 Shares each following the Proposed Introduction. **If and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.**

The continuing obligations of listed issuers under the Main Board Listing Rules and the GEM Listing Rules are not the same. Under the GEM Listing Rules, the Company is required to publish its quarterly results on the internet website operated by the Stock Exchange. Upon listing of the Shares on the Main Board, the Company will cease the practice of quarterly reporting and will follow the relevant requirements of the Main Board Listing Rules which include, amongst other things, through paid announcements on newspapers generally circulated in Hong Kong, publish its interim results and the annual results within three months and four months from the end of relevant period or financial year-end respectively. The Directors are of the view that quarterly results may not reflect the full year performance of the TOM Group, as they are bound to be affected by various matters beyond the control of the TOM Group, such as the market strategies of the various participants in the market and the holidays in a particular quarter. The Directors are of the view that following the reporting requirements under the Main Board Listing Rules will provide investors and Shareholders a relatively complete picture of the performance of the TOM Group during the relevant period without being affected by the factors described above.

REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The TOM Group is principally engaged in providing multimedia products (including content) and services related to content across multiple distribution platforms in Greater China. It operates five main business segments: (i) Internet, (ii) outdoor media, (iii) publishing, (iv) sports and (v) television and entertainment, and has operations which span the PRC, Taiwan and Hong Kong. Since the listing of its Shares on GEM in March 2000, the TOM Group has experienced significant growth and has established strong positions in each of its primary business segments. Nevertheless, the Directors are of the view that the listing of the Shares on the Main Board will help to enhance the profile of the TOM Group, resulting in further coverage and recognition from leading industry analysts and the investing public, including large institutional investors, as well as increase the trading liquidity of the Shares. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Company. The Proposed Introduction will not materially affect the business objectives and strategies of the TOM Group. The TOM Group will continue to pursue its current business of being a leading provider of multimedia content and services in Greater China.

The Proposed Introduction will involve no issue of new Shares by the Company.

EXPECTED TIMETABLE

The expected timetable for the Proposed Withdrawal and the Proposed Introduction is set out below:

Despatch of the Circular, the Notice and the related forms of proxy for the EGM to the Shareholders	Tuesday, 29 June 2004
Despatch of the Listing Document to the Shareholders	Tuesday, 29 June 2004
Latest time for lodgement of related forms of proxy for the EGM	11:00 a.m. on Wednesday, 21 July 2004
EGM	11:00 a.m. on Friday, 23 July 2004
Date of the announcement of results of the EGM and the notice of the Proposed Withdrawal, which are to be published in The Standard (in English), Hong Kong Economic Journal (in Chinese) and on the GEM website	Monday, 26 July 2004
Last date of dealings in the Shares on GEM	Tuesday, 3 August 2004
Withdrawal of listing of the Shares on GEM effective from	9:30 a.m. on Wednesday, 4 August 2004
Dealings in the Shares on the Main Board first commence on	9:30 a.m. on Wednesday, 4 August 2004

FINANCIAL INFORMATION ON THE TOM GROUP

Indebtedness

Borrowings

As at the close of business on 30 April 2004, being the latest practicable date for the purpose of calculating the TOM Group's indebtedness, the TOM Group had outstanding borrowings of approximately HK\$2,076 million which comprised Convertible Bonds in the amounts of approximately HK\$1,174 million, unsecured loans directly or indirectly from the substantial shareholders of the Company, HWL, CKH and Cranwood in the amounts of HK\$340 million, HK\$170 million and HK\$340 million respectively, and unsecured bank loans in the amount of approximately HK\$46 million and secured bank loans of approximately HK\$6 million. The TOM Group has determined to fully repay the shareholders' loans prior to the date on which dealings in the Shares on the Main Board first commence through the utilisation of banking facilities on terms to be agreed, which may include charges on certain assets of the TOM Group.

Convertible Bonds

On 28 November 2003, TOM Holdings Limited, a wholly-owned subsidiary of the Company issued the Convertible Bonds in the aggregate principal amount of US\$150 million (approximately HK\$1,170 million), which are unconditionally and irrevocably guaranteed by the Company, and are convertible into Shares of the Company. The Convertible Bonds bear interest at the rate of 0.5 per cent. per annum on the principal amount of each Convertible Bond, payable semi-annually in arrear from 28 November 2003 up to but excluding 28 November 2008. The Convertible Bonds are convertible at any time on and after 8 January 2004 up to the close of business on 14 November 2008 into the Shares at an initial conversion price of HK\$3.315 per share, subject to adjustment.

TOM Holdings may, subject to certain conditions, on or at any time after 13 December 2006 and prior to 28 November 2008, redeem all, or from time to time, redeem some of the Convertible Bonds, at principal plus a fixed return of 1.25 per cent. per annum from 28 November 2003 to the redemption date. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed at 103.86 per cent. of the principal amount, plus any accrued interest on 28 November 2008. During the Relevant Period and up to the Latest Practicable Date, no Convertible Bonds were converted or redeemed.

Contingent Liabilities

As at 30 April 2004, the TOM Group's contingent liabilities amounted to approximately HK\$9 million.

Charges on Group Assets

Certain TOM Group's assets are pledged to banks as security for general banking facilities granted to the TOM Group. As at 30 April 2004, the pledged assets of the TOM Group included bank deposits, cash and other assets at net book value totalling approximately HK\$36 million.

Contractual Obligations and Commercial Commitments

- (a) As at 30 April 2004, the TOM Group had capital commitment in respect of acquisition of fixed assets and other non-current assets amounting to approximately HK\$295 million.

- (b) As at 30 April 2004, the TOM Group had commitments in respect of contributions to registered capital of an investment in the PRC amounting to approximately HK\$23 million.
- (c) As at 30 April 2004, the TOM Group had other capital commitment in respect of the series of contractual arrangements which enabled the TOM Group to enjoy 100 per cent. economic benefits in LTWJi through the acquisition of the entire share capital of Puccini subject to a maximum amount of US\$150 million (approximately HK\$1,170 million). According to the sale and purchase agreement entered into between the TOM Group and Cranwood, the consideration for the acquisition of Puccini should equal the valuation of the Puccini Group, which is determined based on 7.7 times the audited consolidated net profit of the Puccini Group for the year ending 31 December 2004; or in the event that the audited consolidated net profit of the Puccini Group for the year ending 31 December 2004 is less than an amount equal to 1.2 times of audited consolidated net profit of the Puccini Group for the year ended 31 December 2003, an amount equal to 6 times the audited consolidated net profit of the Puccini Group for the year ending 31 December 2004. The other capital commitment will be 50 per cent. paid in cash and 50 per cent. paid by the issuance and allotment of TOM Online shares. An initial consideration of US\$18,500,000 worth of TOM Online shares as held in escrow were issued at the initial public offer price of TOM Online shares on 10 March 2004.
- (d) At 30 April 2004, the TOM Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings and other assets of approximately HK\$44 million and HK\$195 million, respectively.

The registered capital of an investment in the PRC amounted to approximately HK\$23 million will be funded by drawdown of a new bank loan. Other outstanding capital commitments of the TOM Group as at 30 April 2004 are expected to be financed internally.

Disclaimer

Except as disclosed above, the TOM Group did not have any outstanding loan capital, bank overdrafts, and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as at 30 April 2004, apart from intra-group liabilities, which have been disregarded for these purposes.

Liquidity and Capital Resources

Net Assets

As at 31 December 2003, the net assets and net current liabilities of the TOM Group were approximately HK\$1,619 million and HK\$150 million respectively, and its current assets and current liabilities were approximately HK\$2,057 million and HK\$2,206 million respectively.

Financial Resources

The TOM Group generally finances its operations and investing activities with funds raised through the equity and debt market, internally generated cash flows, bank loans, and loans from substantial shareholders of the Company.

The TOM Group's total shareholders' funds increased to approximately HK\$1,619 million as at 31 December 2003 compared to approximately HK\$272 million in 2002 and approximately HK\$579 million in 2001.

The TOM Group was granted unsecured loan facilities directly or indirectly by HWL, CKH and Cranwood of up to an aggregate of HK\$340 million, HK\$170 million and HK\$340 million, respectively, at interest rate of 50 basis points over 3 months Hong Kong Interbank Offered Rate per annum. The loans are repayable on or before 10 December 2004. The TOM Group has determined to fully repay the aforesaid loans to its substantial shareholders prior to the date on which dealings in the Shares on the Main Board first commence through the utilisation of banking facilities on terms to be agreed, which may include charges on certain assets of the TOM Group.

On 3 July 2003, the TOM Group entered into the placing and subscription agreements for the placing and allotment of 450,000,000 Shares at a price of HK\$2.3 per share for net proceeds of approximately HK\$996 million. Completion of the placing and subscription took place on 7 July 2003 and 8 July 2003 respectively.

On 10 July 2003, the TOM Group entered into a NT\$1.9 billion (approximately HK\$426 million) syndicated revolving credit and term loan agreement with five financial institutions. The loan agreement represents the TOM Group's first long-term bank financing which will contribute to the TOM Group's overall funding requirements and financial strength. As of 31 December 2003, the TOM Group had not utilised the facility.

On 28 November 2003, the TOM Group issued US\$150 million (approximately HK\$1.17 billion) 0.50 per cent. guaranteed Convertible Bonds which are due in 2008. The Convertible Bonds are convertible into Shares of the Company at any time from 8 January 2004 to 14 November 2008 at an initial conversion price of HK\$3.315 per Share, subject to adjustment. The Convertible Bonds are rated BB+ by Standard & Poors. A summary of the terms of the Convertible Bonds are set out in the section headed "Summary of Principal Terms of the Convertible Bonds" in Appendix VI to the Listing Document. The TOM Group has taken advantage of the market window of opportunity for low cost financing, hence further strengthening the TOM Group's financial position.

As at 31 December 2003, the TOM Group had bank and other borrowings (including the loans from substantial shareholders and outstanding under the Convertible Bonds) totalling approximately HK\$2,056 million. The TOM Group's cash-to-borrowing ratio was approximately 142 per cent., 38 per cent. and 43 per cent., respectively, by the end of 2001, 2002 and 2003.

On 10 March and 11 March 2004, the shares of TOM Online, a wholly-owned subsidiary of the Company, were listed and traded on Nasdaq (in the form of American Depositary Shares) in U.S.A. and GEM, respectively by way of a global offering. The TOM Group's cash position was further improved by approximately HK\$1,326 million arising from the net proceeds from the global offering of TOM Online.

Cash Flow Data

The following table presents selected cash flow data from the TOM Group's consolidated cash flow statements for 2001, 2002 and 2003.

	Year ended 31 December		
	2001	2002	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(371,840)	(123,024)	18,129
Net cash outflow from investing activities	(480,581)	(502,121)	(1,606,887)
Net cash inflow from financing activities	151,794	721,153	2,143,428
Cash and cash equivalents	233,885	329,893	884,563

As at 31 December 2003, the TOM Group had bank and cash balances of HK\$885 million as compared to HK\$330 million as at 31 December 2002. During 2003, the TOM Group generated net cash inflow of HK\$69 million from its operations and utilised HK\$125 million to finance its capital expenditures and investment projects. It is also the TOM Group's financial management policy to utilise cash, which does not have immediate use for the TOM Group, to invest in liquid and high credit-rated listed debt securities for non-trading purposes to enhance the return on surplus cash. During 2003, the TOM Group had invested in the listed debt securities of HK\$1,482 million.

As at 31 December 2002, the TOM Group had bank and cash balances of HK\$330 million as compared to HK\$234 million as at 31 December 2001. During 2002, the TOM Group utilised HK\$577 million to finance its operations and investment projects.

Net cash provided by operating activities was HK\$18 million in 2003, compared to net cash used in operating activities of HK\$123 million in 2002, and HK\$372 million in 2001. This decrease in net cash used was primarily due to an increase in the TOM Group's net income. Prior to 2003, the TOM Group experienced significant negative cash flows from its operating activities.

Net cash used in investing activities was HK\$1,607 million in 2003, compared to HK\$502 million in 2002 and HK\$481 million in 2001. This increase in net cash used was due to cash consideration paid for the acquisition of subsidiaries in 2002 and the purchase of debt securities in 2003. Net cash from financing activities was HK\$2,143 million in 2003, compared to HK\$721 million in 2002 and HK\$152 million in 2001. This significant increase was related to the drawdown of new bank and other loans in 2002 and the receipt of proceeds from share placement and issuance of the Convertible Bonds in 2003.

Working Capital

Taking into account funds raised through the equity and debt market, the available banking facilities and internally generated funds, the Directors are of the opinion that the working capital available to the TOM Group is sufficient for the TOM Group's present requirements, that is for at least the next 12 months from the date of the Listing Document.

Financing

The TOM Group's bank and other borrowings as at 31 December 2001, 2002 and 2003 were as follows:

	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loans from substantial shareholders	100,000	850,000	850,000
Convertible Bonds	–	–	1,170,753
Bank borrowings	46,952	15,368	35,047
Other borrowings and loans from minority shareholders	<u>17,770</u>	<u>5,624</u>	<u>–</u>
Total	<u>164,722</u>	<u>870,992</u>	<u>2,055,800</u>

The TOM Group's loans during the Relevant Periods bear interest at the rates ranging from 0.5 per cent. to 11.7 per cent. per annum.

The TOM Group's gearing ratios were approximately 10 per cent., 34 per cent. and 39 per cent. as at 31 December 2001, 2002 and 2003 respectively. The gearing ratio is calculated by dividing the TOM Group's total debt by the total assets of the TOM Group. The significant increase in gearing ratios from approximately 10 per cent. as at 31 December 2001 to approximately 34 per cent. as at 31 December 2002 was primarily due to the increase in loans from substantial shareholders from HK\$100 million as at 31 December 2001 to HK\$850 million as at 31 December 2002. The increase to approximately 39 per cent. as at 31 December 2003 was primarily due to the issuance of the Convertible Bonds of approximately HK\$1,170 million and the corresponding receipt of cash proceeds.

The bank and other borrowings of approximately HK\$2,056 million as at 31 December 2003 include Convertible Bonds of approximately HK\$1,171 million and bank borrowings of approximately HK\$22 million, which were drawn down on 28 November 2003 and 25 December 2003 respectively and bore interest ranging from 0.5 per cent. to 1.45 per cent. per annum. The remaining bank borrowing balances in 2002 and 2003 were maintained at fairly stable level, bearing similar interest rates. As a result, the financing costs during those periods were relatively stable.

Net Tangible Assets

The following statement shows the TOM Group's net tangible assets as at 31 December 2003 as extracted from the Accountants' Report on TOM Group, the text of which is set out in Appendix I to the Listing Document.

	<i>HK\$'000</i>
Audited net tangible assets of the TOM Group as at 31 December 2003 (<i>Note 1</i>)	<u>413,911</u>
Audited net tangible asset value per Share (<i>Note 2</i>)	<u>10.67 cents</u>

Notes:

- 1 The audited net tangible assets of the TOM Group as at 31 December 2003 is extracted from the Accountants' Report on the TOM Group set out in the section headed "Accountants' Report on TOM Group" in Appendix I to the Listing Document. Intangible assets include the carrying value of goodwill, concession rights, copyrights, licence rights, publishing rights, purchased programme and film rights and deferred tax assets as set out in the section headed "Accountants' Report on TOM Group" in Appendix I to the Listing Document.
- 2 The audited net tangible asset value per Share is calculated on the basis of 3,878,261,817 Shares in issue at 31 December 2003.
- 3 The revaluation surplus arising from property revaluation of the TOM Group, amounting to HK\$971,500, being the difference between the carrying value of the properties as at 31 December 2003 of HK\$12,031,000, as extracted from the "Accountants' Report on TOM Group" in Appendix I to the Listing Document and the capital value in existing state as at 31 March 2004 of HK\$13,002,500 as extracted from the "Property valuation" in Appendix IV to the Listing Document. In accordance with the TOM Group's accounting policies, fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. As such, the revaluation surplus arising from the property revaluation will not be reflected in the TOM Group's annual report. Had the properties been stated at valuation, the additional annual depreciation charge that would be charged against the consolidated profit and loss account would be approximately HK\$19,000.

ADOPTION OF THE PROPOSED SCHEME

In connection with the Proposed Introduction, the Directors propose to the Shareholders to approve the adoption of the Proposed Scheme, the provisions of which will comply with the requirements of Chapter 17 of the Main Board Listing Rules, in substitution for the Existing Scheme which is in compliance with Chapter 23 of the GEM Listing Rules.

Application has been made to the Listing Committee for the listing of, and permission to deal on the Main Board in, amongst other things, any Shares which may be issuable upon the exercise of any option which may be granted under the Proposed Scheme.

If approved by the Shareholders at the EGM, the Existing Scheme will be terminated and replaced by the Proposed Scheme when the Proposed Scheme has become unconditional.

As at the Latest Practicable Date, options to subscribe for an aggregate of 193,201,000 Shares granted under the Existing Scheme were outstanding, details of which are set out below:

Date of grant	No. of outstanding share options as at the Latest Practicable Date	No. of employees	Subscription price per Share HK\$	Option period* (commencing from the date of grant and terminating ten years thereafter)
23/3/2000	2,412,000	57	11.30	23/3/2000–22/3/2010
31/5/2000	2,332,000	1	4.685	31/5/2000–30/5/2010
26/6/2000	1,150,000	33	5.89	26/6/2000–25/6/2010
30/6/2000	3,000,000	1	5.27	30/6/2000–29/6/2010
8/8/2000	16,838,000	138	5.30	8/8/2000–7/8/2010
15/11/2000	15,000,000	1	5.30	15/11/2000–14/11/2010
7/2/2002	37,402,000	6	3.76	7/2/2002–6/2/2012
9/10/2003	105,067,000	53	2.505	9/10/2003–8/10/2013
16/2/2004	10,000,000	1	2.550	16/2/2004–15/2/2014

* Those options that have been vested may be exercised within the option period, unless they have been cancelled. Generally, the options are vested in different tranches subject to conditions set out in the offer letters.

In addition to the outstanding options mentioned above, as at the Latest Practicable Date, options to subscribe for an aggregate of 16,196,000 Shares at a subscription price of HK\$1.78 per Share granted under the Pre-IPO Share Option Plan were outstanding. These options were granted to 3 persons who were employees of the TOM Group at the date of grant. All of these options have a duration of 10 years from 11 February 2000, but shall lapse where the grantee ceases to be employed by the TOM Group or by the HWL Group.

Notwithstanding the proposed termination of the Existing Scheme, the outstanding options previously granted but unexercised under the Existing Scheme and the Pre-IPO Share Option Plan mentioned above will remain valid and exercisable in accordance with the provisions of the Existing Scheme and the Pre-IPO Share Option Plan respectively and the terms of granting such options.

Conditions of the Proposed Scheme

The adoption of the Proposed Scheme is conditional upon:

- (a) the Listing Committee granting approval to the listing of, and permission to deal on the Main Board in the Shares as mentioned in the paragraph headed “The Proposed Withdrawal and the Proposed Introduction” above;
- (b) the passing of an ordinary resolution by the Shareholders at the EGM to approve the termination of the Existing Scheme and the adoption of the Proposed Scheme; and

- (c) the commencement of dealings in the Shares on the Main Board.

ADOPTION OF THE NEW ARTICLES

In connection with the Proposed Introduction and to remove references to GEM and to make other immaterial changes in the Existing Articles, the Board proposes to seek the approval of the Shareholders for the adoption of the New Articles at the EGM, the provisions of which will comply with the requirements of the Main Board Listing Rules. The provisions of the New Articles are in all material respects identical to the Existing Articles. The New Articles will substitute the Existing Articles when the New Articles shall have been approved and adopted by the Shareholders at the EGM and have become unconditional upon the date on which dealings in the Shares on the Main Board first commence.

Conditions of the New Articles

The adoption of the New Articles is conditional upon:

- (a) the passing of a special resolution by the Shareholders at the EGM to approve and adopt the New Articles in substitution for the Existing Articles; and
- (b) the commencement of dealings in the Shares on the Main Board.

GENERAL MANDATES

The Directors are of the view that as the Existing General Mandates make specific references to GEM, in connection with the Proposed Introduction and to cater for the situation that the Shares are listed on GEM or the Main Board, ordinary resolutions will be proposed at the EGM to revoke the Existing General Mandates and to grant new general mandates to the Directors (i) to allot, issue and deal with Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution; and (ii) to repurchase Shares with an aggregate nominal amount up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution. Both new general mandates will expire on the earliest of: (a) the conclusion of the next annual general meeting of the Company (“AGM”); (b) the expiration of the period within which the next AGM is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by the relevant resolutions.

Another ordinary resolution will also be proposed at the EGM to add to the new general mandate to be granted to the Directors to allot, issue and deal with Shares by an amount representing the aggregate nominal amount of the share capital of the Company (up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution) repurchased under the Share Repurchase Mandate. The relevant resolution is set out as resolution no. 5 in the Notice. An explanatory statement containing all relevant information relating to the Share Repurchase Mandate is set out in Appendix III to the Circular. The information in the explanatory statement is to provide

the Shareholders with the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Share Repurchase Mandate at the EGM.

The Directors confirm that they have not exercised the Existing General Mandates to issue Shares and repurchase Shares respectively after they have been granted to the Directors since 26 April 2004 and that they have no present intention to exercise such general mandates prior to the proposed listing of the Shares on the Main Board.

THE EGM

The EGM is convened to be held at the Grand Ballroom II, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 23 July 2004 at 11:00 a.m. or any adjournment thereof at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among other matters, the following:

- (a) the Proposed Withdrawal;
- (b) the proposed reduction in the notice period for the Proposed Withdrawal;
- (c) the proposed termination of the Existing Scheme and the proposed adoption of the Proposed Scheme; and
- (d) the revocation of the Existing General Mandates and the granting of new general mandates to issue and repurchase Shares.

At the EGM, a special resolution will also be proposed to consider and, if thought fit, to approve the New Articles in substitution of the Existing Articles.

RECOMMENDATION

The Board recommends the Shareholders to vote in favour of all the ordinary and special resolutions to be proposed at the EGM so that the Proposed Withdrawal and the Proposed Introduction can be implemented and the Directors are permitted to issue and repurchase Shares upon the Shares are listed on the Main Board.

DEFINITIONS

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

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| “Board” | the board of Directors; |
| “Business Day(s)” | any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business and/or the Stock Exchange is open for the business of dealing in securities; |
| “Circular” | the circular to the Shareholders to be despatched by the Company on 29 June 2004; |

“CKH”	Cheung Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong on 8 June 1971 with limited liability, whose shares are listed on the Main Board;
“Company”	TOM Group Limited (formerly known as TOM.COM LIMITED), a company incorporated in the Cayman Islands with limited liability on 5 October 1999, the issued shares of which are listed on GEM;
“Convertible Bonds”	the US\$150 million 0.50 per cent. guaranteed convertible bonds which are due in 2008, issued by TOM Holdings Limited (a wholly-owned subsidiary of the Company) on 28 November 2003;
“Cranwood”	Cranwood Company Limited, a company incorporated in the Republic of Liberia and wholly-owned by Ms. Chau Hoi Shuen;
“Director(s)”	the director(s) of the Company;
“Effective Date”	expected to be on or about 4 August 2004, the date on which the Proposed Withdrawal becomes effective;
“EGM”	an extraordinary general meeting of the Company to be held at the Grand Ballroom II, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Friday, 23 July 2004 at 11:00 a.m. or any adjournment thereof;
“Existing Articles”	the existing articles of association adopted by the Company on 26 April 2004;
“Existing General Mandates”	the general mandates to issue Shares and repurchase Shares granted to the Directors pursuant to resolutions nos. 4 and 5 respectively at the annual general meeting of the Company held on 26 April 2004;
“Existing Scheme”	the share option scheme adopted by the Company on 11 February 2000 (as amended by an addendum on 24 April 2002);
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Greater China”	the PRC, Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC;

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong on 26 July 1977 with limited liability, whose securities are listed on the Main Board;
“HWL Group”	HWL and its subsidiaries;
“Latest Practicable Date”	23 June 2004, being the latest practicable date for ascertaining certain information for inclusion in the Circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Document”	the listing document to be dated 29 June 2004 issued by the Company in connection with the Proposed Introduction;
“LTWJi”	北京雷霆無極網絡科技有限公司 (Beijing Leitingwuji Network Technology Company Limited), a company established under the laws of the PRC with limited liability, in which TOM Online enjoys 100% of the economic benefits;
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM;
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;
“New Articles”	the new articles of association proposed to be adopted at the EGM, the principal terms of which are summarised in Appendix II to the Circular;
“Notice”	the notice convening the EGM;
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Pre-IPO Share Option Plan”	the pre-IPO share option plan adopted by the Company on 11 February 2000;

“Proposed Introduction”	the proposed listing of the Shares on the Main Board by way of an introduction pursuant to the Main Board Listing Rules;
“Proposed Scheme”	the share option scheme proposed to be conditionally adopted by the Company at the EGM, a summary of principal terms of which is set out in Appendix I to the Circular;
“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing of the Shares on GEM;
“Puccini”	Puccini International Limited, a wholly-owned subsidiary of TOM Online, incorporated under the laws of the Cayman Islands with limited liability on 13 March 2000;
“Puccini Group”	Puccini and its subsidiaries;
“Relevant Period(s)”	each of the TOM Group’s financial years ended 31 December 2001, 2002 and 2003;
“Share Repurchase Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing resolution no. 4 as set out in the Notice;
“Shareholder(s)”	registered holder(s) of Shares;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Sponsor”	Morgan Stanley Dean Witter Asia Limited, which is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), acting as the sponsor to the Proposed Introduction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TOM Online”	TOM Online Inc., a company incorporated under the laws of the Cayman Islands and is owned as to approximately 71.86% by the Company, whose shares are listed on GEM;

“TOM Group”

the Company and its subsidiaries (as defined in the Main Board Listing Rules); and

“%” or “per cent.”

per cent.

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

Hong Kong, 28 June 2004

As at the date hereof, Mr. Frank Sixt (Chairman), Ms. Debbie Chang, Mrs. Susan Chow, Mr. Edmond Ip, Mr. Holger Kluge, Mr. James Sha and Mr. Wang Lei Lei are non-executive Directors; Mr. Sing Wang and Ms. Tommei Tong are executive Directors; and Mr. Henry Cheong, Mrs. Angelina Lee and Ms. Anna Wu are independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.tomgroup.com.

* *for identification purpose only*