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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **TOM Group Limited** (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have such shares or other securities been allotted with a view to any of them being offered for sale to the public. No new shares will be issued in connection with, or pursuant to, the publication of this circular.

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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

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING  
ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
WAIVER OF THE MINIMUM NOTICE PERIOD  
IN RESPECT OF THE PROPOSED WITHDRAWAL,  
PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,  
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**

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A letter from the Board is set out on pages 7 to 21 of this circular.

A notice convening an extraordinary general meeting of the Company (the “EGM”) 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 is set out on pages 58 to 63 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be) to the principal place of business of the Company at 48th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof (as the case may be), should you so wish.

*This circular will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least seven days from the date of publication and on the website of TOM Group Limited at “www.tomgroup.com”.*

\* for identification purpose

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “[www.hkgem.com](http://www.hkgem.com)” in order to obtain up-to-date information of GEM-listed issuers.

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## DEFINITIONS

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

“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;
“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;
“Code”	the Hong Kong Code on Takeovers and Mergers;
“Companies Law”	the Companies Law, Cap 22 (2003 Revision) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“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, notice of which is set out on pages 58 to 63 of this circular;
“Existing Articles”	the existing articles of association adopted by the Company on 26 April 2004;

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## DEFINITIONS

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“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 prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Document”	the listing document 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;

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## DEFINITIONS

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“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 this circular;
“Notice”	the notice convening the EGM which is set out on pages 58 to 63 of this circular;
“PRC”	the People’s Republic of China, which for the purposes of this circular, 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 this 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;
“Repurchase Resolution”	the ordinary resolution relating to the Share Repurchase Mandate as set out in resolution no. 4 in the Notice;
“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;

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## DEFINITIONS

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“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.

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## **RESPONSIBILITY STATEMENT OF THIS CIRCULAR**

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This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief,

- (i) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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## EXPECTED TIMETABLE

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

Despatch of this circular, notice of the EGM 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 ....	9:30 a.m. on Wednesday, 4 August 2004

*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates.
- (2) Shareholders will be informed by public announcement of any change in the above expected timetable.

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## LETTER FROM THE BOARD

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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

*Directors :*

Frank John Sixt\* (*Chairman*)  
Sing Wang (*Chief Executive Officer*)  
Tong Mei Kuen, Tommei  
Cheong Ying Chew, Henry#  
Lee Pui Ling, Angelina#  
Wu Hung Yuk, Anna#  
Chang Pui Vee, Debbie\*  
Chow Woo Mo Fong, Susan\*  
Ip Tak Chuen, Edmond\*  
Holger Kluge\*  
James Sha\*  
Wang Lei Lei\*

\* *Non-executive Directors*

# *Independent non-executive Directors*

*Registered office :*

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and  
principal place of  
business in Hong Kong:*

48th Floor, The Center  
99 Queen's Road Central  
Central  
Hong Kong

29 June 2004

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING  
ON THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
WAIVER OF THE MINIMUM NOTICE PERIOD  
IN RESPECT OF THE PROPOSED WITHDRAWAL,  
PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,  
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  
& REVOCATION OF EXISTING GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES**

**INTRODUCTION**

On 8 April 2004, the Board announced that the Company had submitted an application to the Stock Exchange for the Proposed Introduction and informed the Stock Exchange of its intention to implement the Proposed Withdrawal that would be conditional upon, the conditions set out in the paragraph headed "Conditions of the Proposed Withdrawal and the Proposed Introduction" below.

\* *for identification purpose*

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## LETTER FROM THE BOARD

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As part of the Proposed Introduction, the Directors propose to the Shareholders the proposed grant of new general mandates to issue and repurchase Shares in substitution for the Existing General Mandates, the proposed termination of the Existing Scheme and adoption of the Proposed Scheme and the proposed adoption of the New Articles in substitution for the Existing Articles, for complying with the requirements under the Main Board Listing Rules.

The purpose of this circular is to give you further information on the Proposed Withdrawal, the Proposed Introduction, the proposed termination of the Existing Scheme, the proposed adoption of the Proposed Scheme and the New Articles and the proposed grant of new general mandates to issue and repurchase Shares in substitution for the Existing General Mandates, and to seek the Shareholders' approval of the resolutions to be proposed at the EGM as described in the section headed "The EGM" below. The Notice is set out on pages 58 to 63 of this circular.

### **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.

The Stock Exchange has informed the Sponsor that the Listing Committee has granted an approval in principle of the listing of, and permission to deal on the Main Board in, the Shares mentioned above. Immediately following the Proposed Withdrawal, the Shares will be listed as mentioned above on the Main Board by way of introduction, and the listing of the Shares on GEM will be withdrawn.

### **WAIVER FROM STRICT COMPLIANCE WITH MINIMUM NOTICE PERIOD IN RESPECT OF THE PROPOSED WITHDRAWAL**

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.

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## LETTER FROM THE BOARD

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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 fulfilment 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 published 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;

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## LETTER FROM THE BOARD

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- (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 the 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 the 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. **Please note that if and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.**

**Please also note that 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.

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## LETTER FROM THE BOARD

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### 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.

### 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.

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## LETTER FROM THE BOARD

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TOM Holdings Limited 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.

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## LETTER FROM THE BOARD

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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 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 HIBOR. 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 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.



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## LETTER FROM THE BOARD

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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
	HK\$'000	HK\$'000	HK\$'000
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.

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## LETTER FROM THE BOARD

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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:

	<b>2001</b>	<b>2002</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	17,770	5,624	–
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.

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## LETTER FROM THE BOARD

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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> )	413,911
Audited net tangible asset value per Share ( <i>Note 2</i> )	10.67 cents

*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.

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## LETTER FROM THE BOARD

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### 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. A summary of the principal terms of the Proposed Scheme is set forth in Appendix I to this circular.

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:

<b>Date of grant</b>	<b>No. of outstanding share options as at the Latest Practicable Date</b>	<b>No. of employees</b>	<b>Subscription price per Share HK\$</b>	<b>Option period* (commencing from the date of grant and terminating ten years thereafter)</b>
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.

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## LETTER FROM THE BOARD

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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 respective terms of granting such options.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Proposed Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock up period (if any), interest rate, and other relevant variables. The Board believes that any calculation of the value of any option which might have been granted on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would be misleading to the Shareholders.

### **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. A summary of the principal terms of the New Articles is set out in Appendix II to this circular. 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 shall become unconditional upon the date on which dealings in the Shares on the Main Board first commence.

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## LETTER FROM THE BOARD

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### 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 this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you 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 on 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.

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## **LETTER FROM THE BOARD**

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### **THE EGM**

The Notice is set out on pages 58 to 63 of this circular, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, amongst other things, 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.

Further, a special resolution will be proposed to consider and, if thought fit, to approve the New Articles in substitution for the Existing Articles.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be) to the principal place of business of the Company at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof (as the case may be), should you so wish.

### **PROCEDURE FOR DEMANDING A POLL AT THE EGM**

Pursuant to the Existing Articles, a resolution put to the vote at any general meeting shall be decided on a show of hands unless a poll is required under the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the chairman presiding at the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote at the meeting; or
- (c) one or more members present in person or by proxy who are entitled to vote and who represent in aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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## LETTER FROM THE BOARD

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### 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.

### RE-DESIGNATION OF DIRECTORATE

Since January 2000 and May 2000, Mrs. Lee Pui Ling, Angelina and Mr. James Sha have been an independent non-executive Director and a non-executive Director respectively. Due to recent amendments of the Main Board Listing Rules with effect from 31 March 2004 and in order to comply with the requirements with respect to independent non-executive directors, Mrs. Lee Pui Ling, Angelina and Mr. James Sha will be re-designated as a non-executive Director and an independent non-executive Director respectively with effect from the date on which dealings in the Shares on the Main Board first commence.

### DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Listing Document is enclosed with this circular, for information purpose only, and will be available for inspection at the EGM.

Copies of the Proposed Scheme and the New Articles will be available for inspection at the office of Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date of the EGM and will also be available for public inspection at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**TOM GROUP LIMITED**  
**Sing Wang**  
*Chief Executive Officer*  
*And*  
*Executive Director*



The following is a summary of the principal terms of the rules of the Proposed Scheme to be adopted at the EGM in substitution for the Existing Scheme.

For the purpose of this Appendix I, unless the context otherwise require, the following terms shall have the meanings set out below:

“Business Associate”	<ul style="list-style-type: none"><li>(a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the TOM Group; or</li><li>(b) any supplier of goods or services to any member of the TOM Group; or</li><li>(c) any customer of the TOM Group; or</li><li>(d) any person or entity that provides research, development or other technological support to the TOM Group; or</li><li>(e) any person or entity that promotes the sales and marketing of the goods of, or provides any promotional support to the TOM Group; or</li><li>(f) any provider of financial assistance (directly or indirectly) to the TOM Group; or</li><li>(g) any other group or class of persons or entities from time to time determined by the Directors as having contributed or may contribute by way of joint venture to the development and growth of the TOM Group;</li></ul>
“Redemption Price”	the amount (if any) by which (i) the net proceeds of sale (e.g. after payment of, without limitation, stamp duty, commissions, brokerage and Stock Exchange trading fee and the Securities and Futures Commission of Hong Kong (“SFC”) transaction levy and investor compensation levy) of the Shares in respect of which an SAR Option is exercised, exceeds (ii) the Subscription Price applicable to such Shares;
“SAR Option”	a right granted to receive the Redemption Price in respect of the Shares pursuant to the Proposed Scheme;
“Subscription Price”	the price per Share at which a Grantee (as defined below) may subscribe for Shares on the exercise of an Option, or by reference to which the Redemption Price will be calculated;

“Subsidiary” a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 32 of the laws of Hong Kong), as amended supplemented or otherwise modified from time to time (“Companies Ordinance”)) of the Company, whether incorporated in Hong Kong or elsewhere and which, for the avoidance of doubt is also controlled by the Company directly, or indirectly through one or more intermediaries, where “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of that company, whether through the ownership of voting securities, by contract or otherwise.

(a) *Who may join*

The Board may, at its discretion, invite any Employee (as defined below), Business Associate and Trustee (other than any substantial shareholder of the company and/or any of its associates (within the meaning of the Main Board Listing Rules) (“Participant(s)”) to take up option to subscribe for Shares at a price calculated in accordance with sub-paragraph (e) below.

(b) *Purpose of the Proposed Scheme*

The purpose of the Proposed Scheme is to provide the TOM Group with a flexible means of attracting, retaining and motivating talented Participants to strive for future developments and expansion of the TOM Group. The Proposed Scheme shall be an incentive to encourage the Participants and to allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

(c) *Offer and grant of Options*

- (1) An offer shall be made to a Participant by letter in such form as the board of directors of the TOM Group or a duly authorised committee thereof (the “Board”) may from time to time determine requiring the Participant to undertake to hold the right granted to subscribe for shares or to receive Redemption Price in respect of Shares pursuant to the Proposed Scheme (“Option”) on the terms on which it is to be granted and to be bound by the provisions of the Proposed Scheme and shall remain open for acceptance by the Participant to whom an offer of the grant of an Option made in accordance with this paragraph (c) (“Offer”) is made for a period of 28 days from the date on which an Offer is made to a Participant which date must be a business day (“Offer Date”), provided that no such Offer shall be granted after the tenth anniversary of the adoption date of the Proposed Scheme or after the Proposed Scheme has been terminated in accordance with the provisions thereof.

- (2) Options shall entitle the grantee (“Grantee”) to subscribe for Shares on the terms set out in the Proposed Scheme save that if, at the time the Grantee wishes to exercise an Option, the exercise of the Option, the issue of Shares to the Grantee pursuant to the Proposed Scheme, the registration of the Grantee as the holder of such shares, the exercise and enjoyment of the rights attaching to such Shares or the performance of the obligations of the Company or the Grantee under the Proposed Scheme is not permitted by any applicable laws or regulations (including laws or regulations of the PRC or of any country or jurisdiction of which the Grantee is a national or resident), such Option shall not entitle the Grantee to subscribe for Shares but shall be a SAR Option which entitle the Grantee to receive the Redemption Price on the terms and conditions set out in the Proposed Scheme.
- (3) An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer duly signed by any Participant who accepts an Offer in accordance with the terms of the Proposed Scheme, or (where the context so permits) any person who is entitled to any Option in consequence of the death of the original Grantee with the number of Shares of HK\$0.10 each in the capital of the Company (or of such other nominal account as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time (“Shares”) in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$5.00 (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the Grantee) by way of consideration for the grant thereof, is received by the Company. Such remittance shall not be refundable.
- (4) An Offer must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of Chapter 13 of the Main Board Listing Rules. In particular during the period commencing one month immediately preceding the earlier of:
- (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Main Board Listing Rules for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules); and
  - (ii) the deadline for the Company to publish announcement of its results for any year or half-year under the Main Board Listing Rules, or quarterly or any other interim period (whether or not required under the Main Board Listing Rules),

and ending on the date of the results announcement, no Option may be granted. Such period will cover any period of delay in the publication of a results announcement.

*(d) Terms and conditions of Options*

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by any member of the TOM Group, the Grantee or any group of Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Proposed Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised and no performance target need to be achieved by the Grantee before the Options can be exercised.

*(e) Price of Shares*

The Subscription Price will be a price determined by the Board at its absolute discretion and notified to the Participant and will be no less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

*(f) Maximum entitlement of each participant under the Proposed Scheme and number of Shares*

(1) (i) Subject to sub-paragraph (f)(1)(ii):

- (a) The total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the Proposed Scheme unless the Company obtains a refreshed approval from the Shareholders pursuant to sub-paragraph (f)(1)(i)(b). Options lapsed in accordance with the terms of the Proposed Scheme will not be counted for the purpose of calculating such 10 per cent. limit.
- (b) The Company may seek approval of its shareholders in general meeting for refreshing the 10 per cent. limit set out in sub-paragraph (f)(1)(i)(a) such that the total number of Shares which may be issued upon exercise of all Options to be granted by the Board under the Proposed Scheme and any other share option schemes of the Company under the refreshed limit shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Proposed Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Proposed Scheme or exercised options) will not be counted for the purpose of calculating such 10 per cent. limit as refreshed.

- (c) The Company may grant Options to specified Participant(s) beyond the 10 per cent. limit set out in sub-paragraph (f)(1)(i)(a) provided that the Options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval is sought. The Company shall send a circular to Shareholders setting out such information as required under the Main Board Listing Rules.
  - (ii) Notwithstanding anything in sub-paragraph (f)(1)(i) and subject to subparagraph (f)(2), the maximum number of Shares which may be issued upon exercise of outstanding Options granted and yet to be exercised under the Proposed Scheme and any other share option schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Main Board Listing Rules) of the total number of Shares in issue from time to time.
- (2)
- (i) Subject to sub-paragraphs (f)(2)(iii) and (iv), the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue.
  - (ii) Notwithstanding sub-paragraph (f)(2)(i), any further grant of Options to a Participant in excess of the 1 per cent. limit shall be subject to Shareholders' approval with such Participant and his associates (within the meaning as ascribed under the Main Board Listing Rules) abstaining from voting. The Company shall send a circular to the Shareholders and the circular shall disclose, inter alia, the identity of the Participant, the number and terms of the Options to be granted (and Options previously granted to such Participant). The number and terms of the Options to be granted to such Participant shall be fixed before Shareholders' approval of the grant of such Options and the date of Board meeting for proposing such further grant should be taken as the date of offer for the purpose of calculating the Subscription Price.
  - (iii) In addition to sub-paragraphs (f)(2)(i) and (f)(2)(ii), any grant of Options to a Participant who is a director, chief executive or substantial shareholder (all has the meaning as ascribed under the Main Board Listing Rules) of the Company or their respective associates (within the meaning as ascribed under the Main Board Listing Rules) must be approved by the independent non-executive Directors of the Company (excluding independent non-executive Director who is the Participant).
  - (iv) Where the Board proposes to grant any Option to a Participant who is an independent non-executive Director or any of their respective associates (within the meaning as ascribed under the Main Board Listing Rules) would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the proposed Offer Date of such grant (the "Relevant Date"):

- (a) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue at the Relevant Date; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders in general meeting with the Participant concerned and all other connected persons (with the meaning as ascribed under the Main Board Listing Rules) of the Company to abstain from voting in favour at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

The Participant concerned and all other connected persons (as such term is defined in the Main Board Listing Rules) of the Company may vote against the resolution at the general meeting provided that such intention to do so has been stated in the circular. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case the Company shall, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to the Shareholders or publish an announcement notifying the Shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 14 days before the date originally schedules for the general meeting, the meeting shall be adjourned before considering the relevant resolution to a date that is at least 14 days from the date of despatch of the circular or publication of the announcement by the chairman.

- (3) The maximum number of Shares referred to in paragraphs (f)(1) and (f)(2) may be adjusted as provided in paragraph (q) below.

(g) *Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Proposed Scheme at any time during a period (the "Option Period") to be notified by the Board to each Grantee provided that the period within which the Option must be exercised shall not be more than 10 years from the Offer Date.

*(h) Exercise of SAR Option*

- (1) SAR Options shall be exercised on the following terms and conditions (and if any of such conditions shall not be fulfilled the exercise of the SAR Option shall be void and of no effect):
  - (i) It shall be a condition of the exercise of a SAR Option that the relevant Shares shall be traded on the Main Board or such other recognised stock exchange as the Board shall approve, and that at all times during the period from and including the exercise of the SAR Option and the completion of the sale of the relevant Shares, dealings in the Shares on such exchange shall continue and shall not be suspended.
  - (ii) It shall be a further condition of the exercise of a SAR Option that the net proceeds of sale of the relevant Shares (as referred to in the definition of “Redemption Price”) shall exceed the Subscription Price of such Shares;
  - (iii) Upon the exercise of a SAR Option, and subject to it becoming unconditional in all respects, the Board shall approve, as soon as reasonably practicable, the issue of Shares in respect of which the SAR Option is exercised (adjusted, where appropriate, pursuant to paragraph (q) below), shall arrange for the sale on the Main Board or such other recognised stock exchange as the Shares shall be traded on, shall allot and instruct the Share Registrar to issue the relevant Shares to the relevant purchaser(s) or subscriber(s) or as it may direct, shall receive the whole of the net proceeds of sale of the Shares for the Company’s account, free of all liens or trusts, and shall pay to the Grantee, subject to paragraph (h)(2) below an amount equal to the Redemption Price in cash, by Company cheque or wire transfer at the Company’s election. The Grantee shall provide the Company with such information in relation to the method of making payment as the Company may require, and the making of such payment in accordance with such information shall operate as a complete and absolute discharge of the Company’s obligations to make payments in respect of the exercise of the SAR Option. If so requested by the Company, a Grantee shall deliver a duly executed receipt of payment contemporaneously with the making of such payment.
- (2) The Grantee shall be solely liable to pay all taxes and other levies which may be assessed or assessable on any payments made by the Company hereunder and all payments required to be made hereunder by the Company shall be subject to the deduction or withholding of such amounts as the Board may reasonably determine is necessary or desirable by reason of any liability to tax or obligation to account for tax or loss of any relief from tax which may fall on the Company or its subsidiary in respect of, or by reason of such payment or the exercise of the relevant SAR Option, and the Grantee agrees to indemnify and keep the Company (for itself and as trustee

for its subsidiaries) indemnified in respect of any such liability, obligation or loss and accepts that any claim in respect of such indemnity may be satisfied by set-off against any sums due from the Company or its subsidiary to such Grantee from time to time.

- (3) The Shares to which a SAR Option relates shall be allotted and issued on terms that they shall be fully paid up and the part of the net proceeds of issue which equals the Subscription Price of such Shares shall be credited to share capital and capital reserves.
- (4) The SAR Options are solely a device for the measurement and determination of the amount to be paid to each Grantee of a SAR Option. SAR Options shall not constitute or be treated as property or as a trust fund of any kind or as shares, an interest in shares, share options or any form of equity, but shall constitute an unsecured obligation of the Company to pay the Redemption Price on the terms set out in the Proposed Scheme.

(i) *Rights are personal to grantee*

An Option may not be transferred or assigned and is personal to the Grantee.

(j) *Rights on ceasing employment*

- (1) In the case where the Grantee is (a) any full-time employee and director (including non-executive director and independent non-executive director) of the TOM Group; and (b) any part-time employee of the TOM Group (“Employee”) and where the Grantee ceases to be an Employee for any reason other than his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in paragraph (r)(4), the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 12 months following the date of such cessation which date shall be the last actual working day with the TOM Group (provided that such exercise is during the relevant Option Period, failing which it will lapse).
- (2) In the case where the Grantee is an Employee and where the Grantee ceases to be an employee or director of the TOM Group by reason of the termination of his or her employment or directorships on the grounds that he or she has become insolvent or has made any arrangements or compositions with his or her creditors generally or by reason of actual financial difficulties, the Grantee shall only be entitled to exercise the Options during the relevant Option Period up to the entitlement of such Grantee as at the date on which such Grantee ceased to be an employee or director of the TOM Group (to the extent not already exercised) within the period of 12 months following the date of such cessation which date shall be the last actual working day with the TOM Group (provided that such exercise is during the relevant Option Period, failing which it will lapse).



- (3) In the case where the Grantee is a trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee of Business Associate (“Trustee”) and where the relevant beneficiary of the Trust is an Employee, and such Employee ceases to be an Employee in the manner as referred to in paragraphs (j)(1) and (j)(2) above, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraphs (j)(1) and (j)(2) above respectively, failing which it will lapse.

*(k) Rights on death*

- (1) In the case where the Grantee is an Employee or a Business Associate (in each case, being an individual) dies before exercising the Option in full and none of the events specified in paragraph (r)(4) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option (provided that such exercise is during the relevant Option Period up to the entitlement of such Grantee as at the date of death (to the extent not already exercised), failing which it will lapse.
- (2) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee or a Business Associate, and such Employee or Business Associate (in each case, being an individual) dies, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraph (k)(1) above, failing which it will lapse.

*(l) Rights on ceasing to be a Business Associate*

- (1) In the case (1) where the Grantee is a Business Associate who is an advisor or consultant to the TOM Group or any other person or entity under the definition of Business Associate, in each case, under a fixed term contract, if the Grantee ceases to be a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the TOM Group for reasons other than (i) on one or more of the grounds specified in paragraph (r)(4), or (ii) on his or her death if the Business Associate is a natural person, or (2) where the Grantee is a Business Associate who is an advisor or consultant to the TOM Group or any other person or entity under the definition of Business Associate, in each case, not under any fixed term contract, if the Grantee ceases to be a Business Associate by reason of the Grantee ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to the TOM Group as may be determined by the Board and notified to such Business Associate in writing within one year after the provision of its last services, support, assistance or contribution to the TOM Group for reasons other than (i) on one or more of the grounds specified in paragraph (r)(4), or (ii) on his or her death if the Business Associate is a natural person, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 9 months (or such longer period as the

Board may determine) following the date of such cessation, which date shall, in the case of (1) above, be the date of expiry of the relevant fixed term contract; and in the case of (2) above, be the date of the aforesaid written notification to the Business Associate failing which it will lapse.

- (2) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is a Business Associate, such Business Associate ceases to be a Business Associate in the manner as referred to in paragraph (1)(1) above, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraph (1)(1) above, failing which it will lapse.

*(m) Rights on take-over*

If a general offer by way of takeover is made to all the holders of Shares (or such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) with the terms of the offer having been approved or accepted by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the Grantee (or, where appropriate, his or her legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) even though the Option Period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror.

*(n) Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company, takeover offer made to all the holders of Shares (or such holders other than the offeror, any person controlled by the offeror and any person acting in association or in concert with the offeror) (to the extent the same does not fall under paragraph (m) above), or the Company's amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, all Options shall lapse except insofar as previously exercised under the Proposed Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

*(o) Rights on winding-up*

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

*(p) Rights on listing of subsidiary*

In the event that the Grantee:

- (1) being an Employee, is an employee or a director of a Subsidiary; or
- (2) being a Business Associate who is an advisor, consultant, or goods or service provider or a customer, provides advisory, consultancy or other kind of goods or services, to a Subsidiary or is a customer of a Subsidiary; or
- (3) being a Business Associate who has supported, assisted or contributed to the TOM Group, the contribution is to a Subsidiary; or
- (4) being the Trustee and the relevant beneficiary of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate ("Trust") is any of (1), (2) or (3) above;

and the shares in such Subsidiary (or in any other Subsidiary which is a holding company of such Subsidiary) shall be listed on, or become publicly traded on any recognised stock exchange, the Company may, if the Board considers it appropriate, give notices to the Grantee requiring the Grantee to exercise the Option (to the extent not already exercised) to its full extent specified in such notice and on such other terms as to exercise period, etc. as the Board shall decide. Any Option that is not exercised within the period as set out in the notice will lapse.

*(q) Effects of alterations to capital*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares, or reduction of share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, whilst any Option remains exercisable, other than adjustments as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising

any employee, consultant or adviser to the TOM Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised;  
or
- (ii) the Subscription Price,

or any combination thereof, as the Auditors shall certify in writing, either generally or as regard any particular Grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value. The capacity of the Auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors shall be borne by the Company.

*(r) Lapse of Option*

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (1) the expiry of the Option Period;
- (2) the expiry of the periods referred to in sub-paragraph (j), (k), (l), (m), (n) or (p) respectively;
- (3) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (n);
- (4) the date on which:
  - (i) the Grantee being an Employee, ceases to be an employee or director of the TOM Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct or has been convicted of any criminal offence involving his or her integrity or honesty;  
or
  - (ii) the Grantee being a Business Associate who is an advisor or consultant or goods or service provider or customer of the TOM Group or who provides support, assistance or contribution to the TOM Group, and the Business Associate is under any contract with the TOM Group, such contract is terminated by reason of breach of contract on the part of the Business Associate; or

- (iii) the Grantee being a Business Associate, appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threaten to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets; or has been convicted of any criminal offence involving integrity or honesty; or
- (iv) the Grantee being a Trustee, the relevant beneficiary being an Employee or a Business Associate, any one of the events referred to in (i) to (iii) above occurs to such beneficiary,

provided that whether any one or more of the events specified in the above occur in relation to a Grantee shall, in the reasonable opinion of the Board, be solely and conclusively determined by the Board;

- (5) the close of 4 business days prior to the Shareholders' meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;
- (6) the grantee assigns or transfers any interest in favour of any third party over or in relation to any option in breach of the Proposed Scheme; or
- (7) the date on which the Option is cancelled by the Board as provided in sub-paragraph (t) below.

An Option granted but not yet vested with the Grantee shall also lapse automatically in the event that the Grantee being an Employee or Business Associate ceases to be an Employee or Business Associate, as the case may be, for whatever reason or that in the case of the Grantee being a Trustee, the relevant beneficiary being an Employee or a Business Associate ceases to be an Employee or Business Associate, as the case may be, for whatever reason.

(s) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to the Company's articles of association for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of exercise of the Option and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore is before the date of exercise of the Option, provided always that when the date of exercise of the Option falls on a date upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened.

(t) *Cancellation of Options granted*

The Board may at any time cancel Options previously granted to, but not yet exercised by a Grantee, with the prior consent of the relevant Grantee (which consent shall not be unreasonably withheld or delayed). Where the Company cancels Options and offers Options to the same Grantee, the offer of such new Option may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f)(1) above.

(u) *Period of the Proposed Scheme*

The Proposed Scheme will continue to be in full force and effect for a period of ten years commencing on the date it is adopted at the EGM (save that the Company, by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Proposed Scheme). After termination, no further options will be granted but the provisions of the Proposed Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Proposed Scheme may continue to be exercisable in accordance with their terms of issue.

(v) *Alteration to the Proposed Scheme*

- (a) The Proposed Scheme may be altered in any respect by a resolution of the Board, save that the provisions of the Proposed Scheme relating to matters contained in rule 17.03 of the Main Board Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or prospective Grantees, except with the prior approval of the Shareholders in general meeting with participants and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.
- (b) Any alteration to the terms and conditions of the Proposed Scheme, which is of a material nature or any change to the terms of any Option granted or agreed to be granted must be approved by the Shareholders, except where such alterations take effect automatically under the existing terms of the Proposed Scheme. Subject to paragraph (t) above, the terms of such Option following any such change to the terms of any Option shall be no less favourable to the relevant Participant than the terms of such Option prior to such changes except any alteration of the Proposed Scheme operated to affect the terms of issue of any Option under paragraph (v)(a) above.
- (c) Any change to the authority of the Board or administrators of the Proposed Scheme in relation to any alteration to the terms of the Proposed Scheme must be approved by the Shareholders in general meeting.

*(w) Conditions of the Proposed Scheme*

The Proposed Scheme is conditional upon:

- (i) the passing of an ordinary resolution by the independent Shareholders to approve and adopt the Proposed Scheme, and to authorise the Directors to grant Options to subscribe for Shares hereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the Proposed Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the Options granted under the Proposed Scheme.

*(x) Administration*

The Proposed Scheme shall be subject to the administration of the Board or a committee of the Board and the decision of the Board or such committee shall be final and binding on all parties. The Board (or such committee) shall have the right (i) to interpret and construe the provisions of the Proposed Scheme, (ii) to determine the persons who will be awarded Options under the Proposed Scheme, and the number and Subscription Price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Proposed Scheme as it deems necessary provided always that, subject to paragraph (u)(a) above, the terms of such Options following any such adjustment shall be no less favourable to the relevant Participant than the terms of such Option prior to such adjustment, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Proposed Scheme.

*(y) Compliance with the Main Board Listing Rules*

The terms of the Proposed Scheme are in compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

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 in substitution of the Existing Articles. The provisions of the New Articles will comply with the requirements of the Main Board Listing Rules and are in all material respects identical to the Existing Articles.

Set forth below is a summary of the principal provisions of the New Articles proposed to be adopted by the Company at the EGM:

**A. Classes of Shares**

The share capital of the Company consists of ordinary shares.

**B. Directors**

*(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.



(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he or any of his associates has any

material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director is beneficially interested in shares of that company, provided that, the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associates may benefit;
  - (bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (vi) any contract or arrangement in which the Director or his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director and may by ordinary resolution appoint another person in his place. Any Director so appointed

shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person other than a retiring Director shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal place of business in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

- (vii) if he shall be removed from office by a special resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company all of the Directors for the time being shall retire from office, retaining office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**C. Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**D. Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**E. Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

**F. Special resolution - majority required**

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

**G. Voting rights (generally, on a poll and right to demand a poll)**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Main Board Listing Rules, required to abstain from voting on any particular resolution or restricted to voting for or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Main Board Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members of the Company present in person or by proxy and entitled to vote; or
- (c) one or more members of the Company present in person or by proxy who are entitled to vote and who represent in aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meeting; or
- (d) any member or members of the Company present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

#### **H. Annual general meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.



**I. Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**J. Notice of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to

the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Main Board Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to subparagraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

#### **K. Transfer of Shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year). The Company shall, on demand, furnish any person seeking to inspect the register or part thereof which is closed with a certificate under the hand of the Secretary stating the period for which, and by whose authority, it is closed.

**L. Power of the Company to purchase its own Shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

**M. Power of any subsidiary of the Company to own Shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

**N. Dividends and other methods of distributions**

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect

to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

#### **O. Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

**P. Calls on Shares and forfeiture of Shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

**Q. Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Main Board Listing Rules) as the Directors may determine for each inspection.

**R. Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph D above.

**S. Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

**T. Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in



trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

**U. Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

This is an explanatory statement to provide all Shareholders with requisite information relating to the Repurchase Resolution to be proposed at the EGM authorising the Share Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 10.06 of the Main Board Listing Rules which is set out as below:

#### **1. EXERCISE OF THE SHARE REPURCHASE MANDATE**

On the basis of 3,889,413,365 Shares in issue as at the Latest Practicable Date and assuming the number of Shares in issue remains unchanged up to the date of the EGM, the exercise in full of the Share Repurchase Mandate could accordingly result in up to 388,941,336 Shares being repurchased by the Company during the period until (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of the Cayman Islands to be held; or (iii) 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, whichever occurs first.

#### **2. REASONS FOR REPURCHASES**

The Directors believe that the Shares Repurchase Mandate is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

#### **3. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

#### **4. EFFECT ON WORKING CAPITAL AND GEARING POSITION**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Listing Document) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the TOM Group which in the opinion of the Directors are from time to time appropriate for the Company.

## 5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the GEM during each of the previous twelve months before the Latest Practicable Date and during the period from 1 June 2004 to the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
June 2003	2.725	2.325
July 2003	2.450	1.990
August 2003	2.475	2.000
September 2003	2.600	2.375
October 2003	2.650	2.425
November 2003	2.550	2.200
December 2003	2.400	2.150
January 2004	2.550	2.350
February 2004	2.575	2.300
March 2004	2.575	1.820
April 2004	2.050	1.730
May 2004	1.780	1.520
From 1 June 2004 to the Latest Practicable Date	1.760	1.540

## 6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the Share Repurchase Mandate in accordance with the Main Board Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Main Board Listing Rules), have any present intention to sell any Shares to the Company under the Share Repurchase Mandate if such is approved by Shareholders and becomes effective.

No connected person (as defined in the Main Board Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so, in the event that the Share Repurchase Mandate is approved by the Shareholders of the Company and becomes effective.

## 7. THE CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code. As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the shareholders' interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory general offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, by virtue of the Securities and Futures Ordinance, CKH, which is a substantial shareholder of the Company, was deemed to be interested in 1,429,024,545 Shares (representing approximately 36.74% of the issued share capital of the Company). In the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the Repurchase Resolution, then (if the present shareholdings otherwise remained the same) the deemed interest of CKH in the Company would be increased to approximately 40.82% of the issued share capital of the Company, and accordingly CKH will be obliged to make a mandatory offer under Rule 26 of the Code.

However, the Directors have no present intention to exercise the Share Repurchase Mandate to such an extent as would result in takeover obligations.

#### **8. SHARES REPURCHASE MADE BY THE COMPANY**

No repurchase of the Shares have been made by the Company in the previous six months, whether on the Stock Exchange or otherwise.

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## NOTICE OF THE EGM

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TOM Group Limited

TOM集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of TOM Group Limited (the “Company”) will be held at 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 for the purpose of considering and, if thought fit, passing the following resolutions nos. 1, 2, 3, 4 and 5 with or without modifications, as ordinary resolutions and the following resolution no. 6 as a special resolution:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (A) conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal on the main board of the Stock Exchange in, (i) the shares of HK\$0.10 each in the issued share capital of the Company (the “Shares”); (ii) any Shares which may be issuable upon the exercise of any options which were granted under the pre-IPO share option plan adopted by the Company on 11 February 2000 or the share option scheme adopted by the Company on 11 February 2000 (as amended by an addendum on 24 April 2002) (the “Existing Scheme”); (iii) 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 (as defined in resolution no.2 set out in this notice), if the same having been approved; (iv) any Shares which may be issuable upon the exercise of the conversion rights attaching to the US\$150 million 0.5 per cent. guaranteed convertible bonds which are due in 2008 constituted by a trust deed made between TOM Holdings Limited, the Company and DB Trustees (Hong Kong) Limited (the “Convertible Bonds”); and (v) 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 of the Company dated 29 June 2004 (the “Proposed Introduction”); (2) the publication by the Company of a notice in respect of the proposed withdrawal of listing of the Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”) which shall be publicated not less than such period,

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## NOTICE OF THE EGM

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as the shareholders of the Company shall approve under resolution no. (B) in this resolution no. 1, prior to the date on which the Proposed Withdrawal is effective and (3) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and the fulfillment of all conditions which may be attached to such consents, including but not limited to, the consent to the Proposed Withdrawal and the 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 holders of the Convertible Bond (the “Bondholders”), or of the Bondholders (if necessary) and/or satisfying any other applicable requirements relating thereto, the listing of the Shares on GEM shall cease with effect from such date and time as the directors of the Company (“Directors”) may designate and any Director or the company secretary of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he/she may deem necessary, desirable or expedient to effect and implement the foregoing; and

- (B) the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange in connection with the Proposed Withdrawal be reduced to a minimum period of five clear days on which the Stock Exchange is open for the business of dealing in securities from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

2. **“THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal on the main board of the Stock Exchange in, (i) the shares of HK\$0.10 each in the issued share capital of the Company (the “Shares”); (ii) any Shares which may be issuable upon the exercise of any options which were granted under the pre-IPO share option plan adopted by the Company on 11 February 2000 or the Existing Scheme (as defined in resolution no. 1 set out in this notice); (iii) 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 new share option scheme (the “Proposed Scheme”) (the rules of which are set out in the document marked “A” produced to this meeting and initialled by the Chairman of this meeting for the purpose of identification); (iv) any Shares which may be issuable upon the exercise of the conversion rights attaching to the Convertible Bonds (as defined in resolution no.1 set out in this notice); and (v) 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 of the Company dated 29 June 2004:

- (A) the Proposed Scheme be and is hereby approved and adopted by the Company and the Board be and is hereby authorised, at its absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with any Shares pursuant to the exercise of the subscription rights under any option which may be granted under the Proposed Scheme and to do all such acts as it may in its absolute discretion consider necessary or expedient in order to give full effect to the Proposed Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and

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## NOTICE OF THE EGM

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- (B) the Existing Scheme be and is hereby terminated with effect from the date on which the Proposed Scheme becomes unconditional and effective.”

3. **“THAT:**

- (A) subject to paragraph (C) of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, arrangements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (A) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under any share option schemes of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the authority pursuant to paragraph (A) of this resolution shall be limited accordingly.
- (D) For the purpose of this resolution, “Relevant Period” means the period from the date of passing this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

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## NOTICE OF THE EGM

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“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holding of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company); and

- (E) the general mandate to issue shares in the Company granted to the Directors pursuant to ordinary resolution no.4 as set out in the notice of the annual general meeting of the Company held on 26 April 2004 be and is hereby revoked.”

4. **“THAT:**

- (A) subject to paragraph (B) of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong (the “Securities and Futures Commission”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of shares of the Company authorised to be repurchased by the Company pursuant to the approval in paragraph (A) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the authority pursuant to paragraph (A) of this resolution shall be limited accordingly;
- (C) for the purpose of this resolution, “Relevant Period” means the period from the date of passing this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and



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## NOTICE OF THE EGM

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- (iii) the passing of an ordinary resolution by the shareholders of the company in general meeting revoking or varying the authority given to the Directors by this resolution; and
- (D) the general mandate to repurchase shares in the Company granted to the Directors pursuant to resolution no. 5 as set out in the notice of the annual general meeting of the Company held on 26 April 2004 be and is hereby revoked.”
5. “**THAT** conditional upon resolutions nos. 3 and 4 set out in this notice being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to resolution no. 3 set out in this notice be and is hereby increased and extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 4 set out in this notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

### SPECIAL RESOLUTION

6. “**THAT** conditional upon the listing of the shares of HK\$0.10 each in the issued share capital of the Company (the “Shares”) on the main board (“Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the articles of association contained in the document marked “B” produced to this meeting and initialled by the Chairman of this meeting for the purpose of identification be and are hereby approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of all the existing articles of association of the Company, with effect from the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence.”

By Order of the Board  
**TOM GROUP LIMITED**  
**Mak Soek Fun, Angela**  
*Company Secretary*

Hong Kong, 29 June 2004

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## NOTICE OF THE EGM

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*Head office and principal place of business:*

48th Floor, The Center  
99 Queen's Road Central  
Central  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. To be valid, the form of proxy (which must be duly completed and signed in accordance with the instructions printed thereon), together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the principal place of business of the Company at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).
3. In the case of joint registered holders of any share in the capital of the Company ("Share"), any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint registered holders is present at the Meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of the members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

\* for identification purpose