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TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8001)

MAJOR TRANSACTION

in respect of

**(1) proposed acquisition of 48.5% of the registered capital of
China Popular Computer Week Management Company Limited**

(重慶電腦報經營有限責任公司)

(2) proposed subscription of shares in

Chongqing Zhongkepu Media Development Joint Stock Company Limited

(重慶中科普傳媒發展股份有限公司)

Further to the 2002 Announcement, the Board is pleased to announce that:

1. the Company, through its wholly-owned subsidiary, TOM International, will:
 - (a) acquire 48.5% of the registered capital of the Joint Venture; and
 - (b) subscribe for the Subscription Shares, being 849,029 CSM Shares (representing approximately 0.97% of the issued share capital of China Science Media (as enlarged by the issue of the Subscription Shares)),

at the Consideration, being a sum of RMB209,475,000 (equivalent to approximately HK\$196,912,014). Upon Completion, TOM International will effectively hold approximately 49% of the registered capital of the Joint Venture; and
2. all of the Consideration will be paid in cash.

The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to Shareholders' approval. Under rule 19.44 of the GEM Listing Rules, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, therefore in lieu of holding such a general meeting, Shareholders' written approval has been obtained from Easterhouse, Romefield, Schumann, Handel and Cranwood, who are a closely allied group of Shareholders collectively holding approximately 61.23% in nominal value of the Shares in issue as at the date of this announcement giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one).

A circular containing, among other things, further information on the Acquisition will be despatched to the Shareholders as soon as practicable and, in any event, within 21 days after the publication of this announcement.

THE AGREEMENT

Date

5 July 2004

Parties

1. China Science Media
2. PCW Publishing House
(China Science Media, PCW Publishing House and their respective ultimate beneficial owners are independent of, and not connected with, any of the Directors, chief executive, substantial shareholders or management shareholders of any member of the Group or any of their respective associates, and not connected persons of the Company as defined in the GEM Listing Rules)
3. TOM International
4. The Company

Assets to be acquired

TOM International will acquire:

1. 48.5% of the registered capital of the Joint Venture; and
2. the Subscription Shares, being 849,029 CSM Shares (representing approximately 0.97% of the issued share capital of China Science Media (as enlarged by the issue of the Subscription Shares)),

which collectively represent an effective interest of approximately 49% in registered capital of the Joint Venture.

Consideration

The Consideration is RMB209,475,000 (equivalent to approximately HK\$196,912,014). All of the Consideration will be paid in cash.

It was disclosed in the 2002 Announcement that the consideration for acquiring 49% of the registered capital of the Joint Venture would be RMB312,239,997 (equivalent to approximately HK\$293,513,816), of which: (a) RMB120 million (equivalent to approximately HK\$112,803,158) (representing approximately 38.4% of such consideration) would be paid in cash; and (b) RMB192,239,997 (equivalent to approximately HK\$180,710,657) (representing approximately 61.6% of such consideration) would be satisfied by the issue and allotment of Shares at HK\$5.51 per Share.

The Consideration was arrived at after arm's length negotiations between the Parties and being a price acceptable to the Parties with reference to the past performance, profit guarantee, market share and growth prospects of the PCW Publications. The Directors consider that the reduction in the total amount of consideration payable by TOM International for the Acquisition and the change in the payment method of such consideration as mentioned above are in the interest of, and beneficial to, the Company.

Payment terms

The Consideration will be paid in the following manner:

1. a sum of RMB10 million (equivalent to approximately HK\$9,400,263) will be satisfied by netting-off against a fee of RMB10 million which was paid by TOM International to China Science Media under the Consultancy Services Agreement in November 2002;
2. a sum of RMB82,025,000 (equivalent to approximately HK\$77,105,659) will be paid by TOM International to China Science Media within 30 Business Days after the date of establishment of the Joint Venture;
3. a sum of RMB14,550,000 (equivalent to approximately HK\$13,677,383) will be paid by TOM International to China Science Media upon the transfer of 48.5% of the registered capital of the Joint Venture from China Media Science to TOM International; and
4. subject to the fulfilment of all of the Conditions, the balance of the Consideration (being a sum of RMB102.9 million (equivalent to approximately HK\$96,728,708)) will be paid by TOM International to China Science Media on or before the Long Stop Date.

The Consideration is funded by internal resources of the Company.

Conditions precedent

1. Completion is conditional upon, among other things, the following conditions ("Conditions") having been fulfilled in accordance with the Agreement:

- (a)
 - (i) China Science Media having confirmed in writing that the Exclusive Distribution Right and the Exclusive Advertising Agency Right previously granted by PCW Publishing House to China Science Media have been surrendered by China Science Media; and
 - (ii) PCW Publishing House and the Joint Venture having executed the Exclusive Operation Agreement;
 - (b) the Joint Venture having been converted to a Sino-foreign equity joint venture enterprise, being owned as to 51.5% by China Science Media and as to 48.5% by TOM International, which conversion has been duly approved by the relevant approval authorities in the PRC;
 - (c) the Subscription Shares having been allotted and issued by China Science Media to TOM International in accordance with all applicable laws, rules and regulations;
 - (d) a legal opinion (in such form and substance satisfactory to TOM International) opining on the legality of the Acquisition having been issued by Commerce & Finance Law Offices (通商律師事務所), or such other PRC registered law firm approved by TOM International;
 - (e) the approval by the Shareholders of the Acquisition having been obtained (if required);
 - (f) TOM International having been satisfied with the result of the due diligence exercise carried out on the assets, liabilities, business and prospects of PCW Publishing House, China Science Media and any other organisations related to the Acquisition; and
 - (g) a service agreement having been entered into between the Joint Venture and each member of such Management Team.
2. If any of the Conditions is not fulfilled on or before the Long Stop Date, TOM International may terminate the Agreement and China Science Media will, within 14 days after the Long Stop Date, refund to TOM International all or such part of the Consideration that has already been paid by TOM International.

Completion

Completion will take place on the day on which all of the Conditions are fulfilled.

Establishment of the Joint Venture

1. China Science Media and Feiteng will jointly establish the Joint Venture within 14 Business Days from the date of the Agreement.
2. The total investment amount of the Joint Venture will be RMB30 million (equivalent to approximately HK\$28,200,790).

3. The registered capital of the Joint Venture will be RMB30 million (equivalent to approximately HK\$28,200,790), of which RMB27 million (equivalent to approximately HK\$25,380,711) will be contributed by China Science Media in cash and in kind (i.e., fixed assets such as computers and office equipments) and RMB3 million will be contributed by Feiteng in cash.
4. The business scope of the Joint Venture will include the following:
 - (a) the sale and distribution of the PCW Publications;
 - (b) the design, production and distribution of all types of advertisements and acting as an advertising agent for all types of advertisements;
 - (c) the provision of computer-related technical services;
 - (d) the provision of technology and merchandise information services;
 - (e) such other businesses related to the operation of the PCW Publications as approved by the relevant approval authorities; and
 - (f) such newspapers and magazines distribution services as approved by national policies.
5. The term of the Joint Venture will be 20 years.
6. Upon the establishment of the Joint Venture, Feiteng will transfer all of the 10% of the registered capital of the Joint Venture to China Science Media and China Science Media will forthwith proceed with converting the Joint Venture to a Sino-foreign equity joint venture enterprise, which will be owned as to 51.5% by China Science Media and as to 48.5% by TOM International.
7. Upon the conversion of the Joint Venture to a Sino-foreign equity joint venture enterprise, the board of directors of the Joint Venture will comprise 5 directors, of which 3 will be nominated by China Science Media and 2 will be nominated by TOM International. China Science Media and TOM International will share the profits and losses of the Joint Venture in proportion to their respective equity interests in the Joint Venture. The Joint Venture will be treated as a jointly controlled entity of the Company.
8. TOM International has a priority right to acquire an additional 1% of the registered capital of the Joint Venture when such acquisition becomes permissible under PRC law. The Company will comply with the relevant requirements of the GEM Listing Rules or the Rules Governing the Listing of Securities on the Stock Exchange, as the case may be, if TOM International exercises the right to acquire the additional 1% of the registered capital of the Joint Venture.

Exclusive Operation Agreement

1. Within 7 Business Days from the date on which the Joint Venture obtains all of the relevant licences and permits for it to sell and distribute the PCW Publications and to act as an advertising agent (“Business”): (i) China Science Media will surrender the Exclusive Distribution Right and the Exclusive Advertising Agency Right; (ii) PCW Publishing House will terminate all corresponding agreements entered into with China Science Media and any other third parties; and (iii) PCW Publishing House and the Joint Venture will enter into the Exclusive Operation Agreement, under which PCW Publishing House will grant to the Joint Venture at nil consideration:
 - (a) an exclusive right to sell and distribute a weekly computer periodical known as *Popular Computer Weekly*《電腦報》published by PCW Publishing House (including *Popular Computer Weekly Bound Volume*《電腦報合訂本》and *Popular Computer Weekly CD-ROM*《電腦報配套光碟》, etc. and other writings and electronic publications related to *Popular Computer Weekly*《電腦報》, and such books and electronic publications, the editing and/or operation of which involves China Science Media but excluding the copyright of, and the right to use, the electronic version of *Popular Computer Weekly*《電腦報》) (collectively, “PCW Publications”) inside and outside of the PRC (“Exclusive Distribution Right”); and
 - (b) an exclusive advertising agency right in respect of all advertisements contained in the PCW Publications (“Exclusive Advertising Agency Right”).
2. The term of the Exclusive Operation Agreement will be 20 years from the day on which the Joint Venture obtains the relevant permits and licences for the Business.

Assets transfer

1. After the conversion of the Joint Venture to a Sino-foreign equity joint venture enterprise, the Joint Venture will acquire all tangible and intangible assets related to the Business (including the exclusive rights to use the hardcopy version of, and trademarks related to, the PCW Publications but excluding the copyrights and trademarks related to the PCW Publications) from China Science Media and PCW Publishing House at a consideration of an amount: (a) not less than the value of such assets as set out in a valuation report to be prepared by a qualified state-owned assets valuer jointly approved by China Science Media and TOM International; and (b) not more than RMB8 million (equivalent to approximately HK\$7,520,211) (“Assets Transfer”). The consideration for the Assets Transfer will be funded by the capital injected by China Science Media and Feiteng into the Joint Venture. TOM International will not be required to provide additional funding for the Assets Transfer.
2. Upon completion of the Assets Transfer, the net asset value of the Joint Venture shall not be less than RMB30 million (equivalent to approximately HK\$28,200,790), including not less than RMB22 million (equivalent to approximately HK\$20,680,579) in cash.

Warranties

1. China Science Media warrants and undertakes that:
 - (a) in the event that in any year ending 31 December, TOM International's share of the actual distributable profit of the Joint Venture by virtue of its direct holding of 48.5% of the registered capital of the Joint Venture and approximately 0.97% of the issued share capital of China Science Media (as enlarged by the issue of the Subscription Shares) is less than its share of the same had it directly held 49% of the registered capital of the Joint Venture, China Science Media will pay to TOM International an amount equal to such shortfall within 14 Business Days from the date of the relevant auditors' report in respect of the audited accounts of the Joint Venture (prepared in accordance with the International Accounting Standards (including HKGAAP)) for that year; and
 - (b) the Subscription Shares will rank pari passu with the existing CSM Shares in issue, and will carry the same rights to receive dividends and other related rights; and
2. China Science Media warrants and undertakes that provided that the respective profits tax rates applicable to the Joint Venture and China Science Media are 15%:
 - (a) in the event that the after-tax profit as shown by the audited accounts of the Joint Venture ("Audited After-Tax Profit") for any of the 3 years ending 31 December 2006 is less the following amounts:

Year ending 31 December	Minimum Audited After-Tax Profit (accumulated from 1 January 2004)
2004	RMB44,100,000
2005	RMB90,405,000
2006	RMB139,025,300

China Science Media will pay to the Joint Venture an amount equal to such shortfall (after deducting the aggregate amount that has already been paid by China Science Media to the Joint Venture in previous years pursuant to this provision (if any)) ("Top-Up Amount") within 15 Business Days from the date of the relevant auditors' report in respect of the audited accounts of the Joint Venture for that year; and

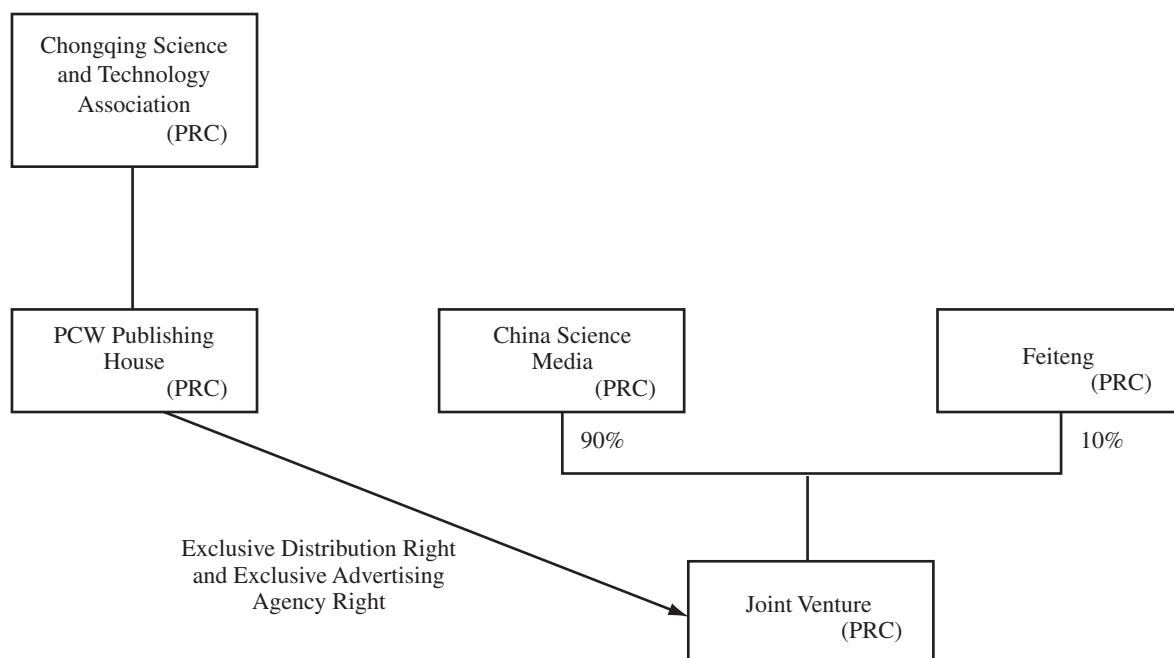
- (b) if in any of the 3 years ending 31 December 2006, the actual amount of the Audited After-Tax Profit exceeds the above minimum amount of the Audited After-Tax Profit for that year, the Joint Venture will refund to China Science Media an amount equal to such excess within 15 Business Days from the date of the relevant auditors' report in respect of the audited accounts of the Joint Venture for that year provided that the amount of any such refund will not exceed the aggregate amount of the Top-Up Amount that has already been paid by China Science Media to the Joint Venture in previous years (if any).

For the avoidance of doubt, for the purposes of determining the amount of the Audited After-Tax Profit for the year ending 31 December 2004, such Audited After-Tax Profit shall include the after-tax profit generated by the Business from 1 January 2004 to the date of completion of the Assets Transfer.

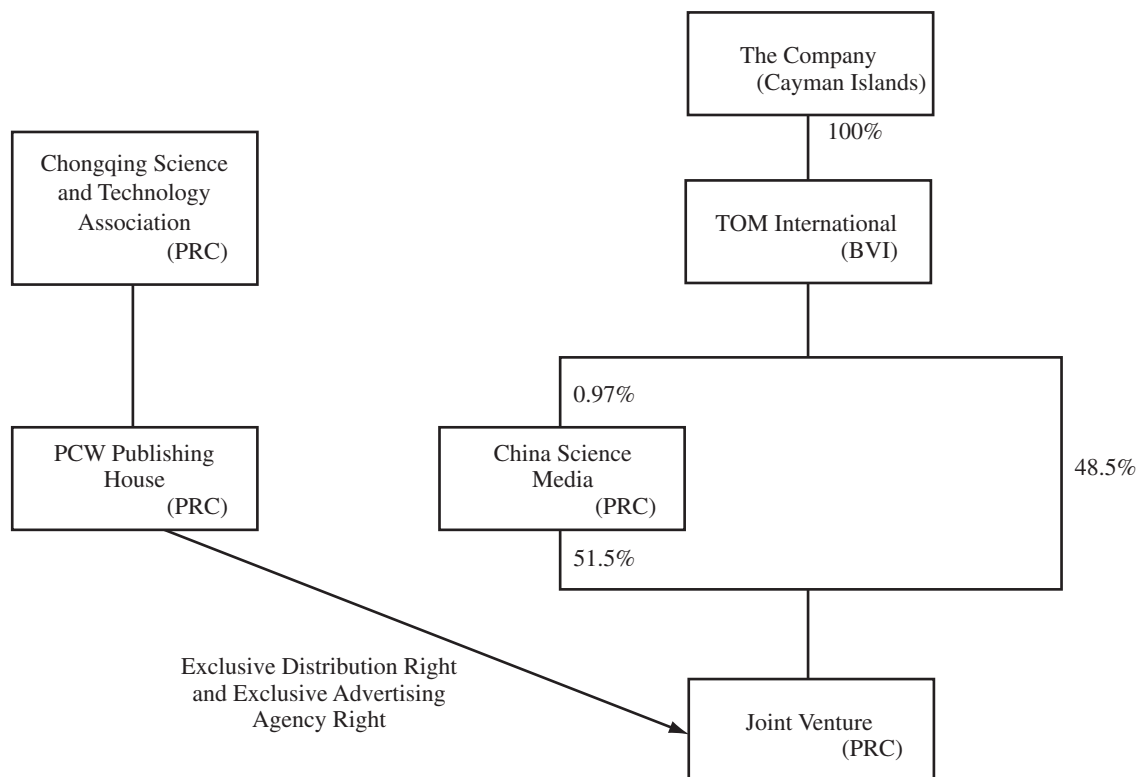
Non-competition

- Each of China Science Media and PCW Publishing House undertakes that unless with the written consent of TOM International:
 - it will not, and will procure that none of the companies controlled by it will, carry on or be interested in any business which directly competes with any business related to the PCW Publications carried on by the Joint Venture; and
 - it will not use the《電腦報》brand name to participate in any business which is detrimental to, or directly competes with, any relevant interest in the PCW Publications.
- Save and except certain businesses that are currently carried on by China Science Media (as set out in the Agreement) which may constitute a breach of the non-compete restrictions set out in the Agreement, China Science Media undertakes that it will not invest in or acquire any right to operate any medium which directly competes with the PCW Publications.

Simplified structure chart of the Joint Venture before Completion



Simplified structure chart of the Joint Venture immediately after Completion



INFORMATION ON THE PCW PUBLISHING HOUSE AND CHINA SCIENCE MEDIA

PCW Publishing House and China Science Media were established in 1992 and 1998, respectively. PCW Publishing House is the registered owner of certain licenses for the PCW Publications. Through certain contractual arrangements entered into between PCW Publishing House and China Science Media, PCW Publishing House has granted the Exclusive Distribution Right and the Exclusive Advertising Agency Right to China Science Media. Upon the establishment of the Joint Venture, China Science Media will surrender the aforesaid rights and PCW Publishing House will enter into the Exclusive Operation Agreement with the Joint Venture, under which PCW Publishing House will grant the Exclusive Distribution Right and the Exclusive Advertising Agency Right to the Joint Venture.

China Science Media is one of the leading publishers of information technology-related publications in the PRC, publishing *Popular Computer Weekly* 《電腦報》, *Shangqing* 《神州商情》, *Popular Computer Weekly Bound Volume* 《電腦報合訂本》, *Popular Computer Weekly CD-ROM* 《電腦報配套光盤》 and over 50 IT-related book titles every year.

Based on the China Science Media's management figures, the average circulation of *Popular Computer Weekly* 《電腦報》 (about 600,000 copies per week as at the end of December 2003) ranked number 1 for 8 consecutive years (1996-2003) among the information technology-related newspapers in the PRC.

Popular Computer Weekly 《電腦報》 and other publications are distributed mainly through 3 channels: China Post, Xinhua bookstores and non-state-owned bookstores. China Science Media's distribution network covers major cities and provinces in the PRC, including, Chongqing, Beijing, Shanghai, Tianjin, Guangdong, Shandong, Jiangsu, Zhejiang, Hubei, etc.

Revenue of the PCW Publications comprises both advertising and distribution revenue. The largest advertising customers of China Science Media include renowned brands, such as Dell, Microsoft, Legend, IBM and Hewlett Packard. Advertising and distribution income of the PCW Publications accounted for approximately 54% and 46% of the total income of the PCW Publications in the year ended 31 December 2002. Advertising and distribution income of the PCW Publications accounts for approximately 59% and 41% of the total income of the PCW Publications in 2003.

Based on the management accounts of the PCW Publications, the unaudited net revenue, profit before and after tax of the PCW Publications prepared in accordance with HKGAAP for the year ended 31 December 2002 were approximately RMB168.67 million (equivalent to approximately HK\$158.55 million), RMB50.96 million (equivalent to approximately HK\$47.90 million) and RMB42.49 million (equivalent to approximately HK\$39.9 million), respectively. The unaudited net revenue, profit before and after tax of the PCW Publications prepared in accordance with HKGAAP for the year ended 31 December 2003 were approximately RMB178.41 million (equivalent to approximately HK\$167.71 million), RMB49.31 million (equivalent to approximately HK\$46.35 million) and RMB39.88 million (equivalent to approximately HK\$37.49 million), respectively. The unaudited net assets of the PCW Publications as at 31 December 2003 was approximately RMB57.09 million (equivalent to approximately HK\$53.66 million).

The audited net revenue, profit before and after tax of China Science Media prepared in accordance with PRC GAAP for the year ended 31 December 2002 were approximately RMB187.81 million (equivalent to approximately HK\$176.55 million), RMB50.46 million (equivalent to approximately HK\$47.43 million) and RMB41.65 million (equivalent to approximately HK\$39.15 million), respectively. The audited net revenue, profit before and after tax of China Science Media prepared in accordance with PRC GAAP for the year ended 31 December 2003 were approximately RMB225.61 million (equivalent to approximately HK\$212.08 million), RMB73.03 million (equivalent to approximately HK\$68.65 million) and RMB62.69 million (equivalent to approximately HK\$58.93 million), respectively. The audited net assets of China Science Media as at 31 December 2003 was approximately RMB190.81million (equivalent to approximately HK\$179.35 million).

REASONS FOR ENTERING INTO THE AGREEMENT

The Directors believe that China Science Media is a successful information technology-related magazine publisher in the PRC. With the establishment of the Joint Venture, the Group will be able to substantially increase its presence in the print media business in the PRC, in particular, in the area of information technology-related publications. The establishment of the Joint Venture will also allow the wide range of off-line content produced by China Science Media to be distributed through the TOM Online Group, thus increasing the Group's cross-media advertising selling capability, and enhancing market competitiveness for the Group's new media assets. The Directors consider that the Acquisition will also contribute substantially to the Group's revenues and help generate a stronger cashflow for the Group through the synergies added to its existing print media businesses (such as content provision, content syndication, content aggregation, sales and distribution) including, Yazhou Zhoukan, Business Weekly Group, Sharp Point, PC Home, Cité and its portal assets.

MAJOR TRANSACTION

The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to Shareholders' approval. Under rule 19.44 of the GEM Listing Rules, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition, therefore in lieu of holding such a general meeting, Shareholders' written approval has been obtained from Easterhouse, Romefield, Schumann, Handel and Cranwood, who are a closely allied group of Shareholders collectively holding approximately 61.23% in nominal value of the Shares in issue as at the date of this announcement giving the right to attend and vote at a general meeting of the Company (if the Company were to convene one).

INFORMATION FOR SHAREHOLDERS OF THE COMPANY

A circular containing, among other things, further information on the Acquisition will be despatched to the Shareholders as soon as practicable and, in any event, within 21 days after the publication of this announcement.

GENERAL

The Directors consider that the Acquisition are or will be entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The business of the Group includes cross-media strategy and telecom value added services which include an internet portal delivering internet infotainment content and services, e-commerce propositions, development of software and computer network systems, provision for related services and event production, broadband content and service provision, sports-related content, event management and advertising, web-based e-mail service provision, outdoor media, online media businesses and publishing businesses.

DEFINITIONS

“2002 Announcement”	an announcement of the Company dated 18 September 2002 in respect of a letter of intent dated 18 September 2002 entered into between TOM International, PCW Publishing House and China Science Media
“Acquisition”	(a) the proposed acquisition by TOM International of 48.5% of the registered capital of the Joint Venture; and (b) the proposed subscription by TOM International of the Subscription Shares, upon the terms and subject to the conditions set out in the Agreement
“Agreement”	a co-operation framework agreement dated 5 July 2004 entered into between China Science Media, PCW Publishing House, TOM International and the Company

“Assets Transfer”	has the meaning ascribed to it in the section headed “Assets transfer” above
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Audited After-Tax Profit”	has the meaning ascribed to it in the section headed “Warranties” above
“Board”	the board of directors of the Company
“Business”	has the meaning ascribed to it in the section headed “Exclusive Operation Agreement” above
“Business Day”	a day (excluding Saturdays) on which banks generally are open for business in the PRC
“BVI	the British Virgin Islands
“China Science Media”	Chongqing Zhongkepu Media Development Joint Stock Company Limited (重慶中科普傳媒發展股份有限公司), a company established in the PRC, and is owned as to approximately 21% by Chongqing Keming Kepu Service Centre (重慶市科明科普服務中心); as to approximately 19.3% by Chongqing Kewei Information Development Company Limited (重慶科威華信息發展有限責任公司); as to approximately 18.2% by Chongqing Kexijia Information Development Company Limited (重慶科西嘉信息發展有限責任公司); as to approximately 17.4% by Chongqing Ronghua Information Development Company Limited (重慶融華信息發展有限責任公司); as to approximately 13.6% by Chongqing Kebeikang Information Development Company Limited (重慶科貝康信息發展有限公司); as to approximately 6.5% by Sichuan Zhuorui Wenhua Chuanbo Company Limited (四川卓瑞文化傳播有限責任公司) and as to approximately 4% by Sinan Shifan University Electronic Technology Development Service Centre (西南師範大學電子科技開發服務中心) as at the date of this announcement, all of which, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are independent of, and not connected with, any of the Directors, chief executive, substantial shareholders or management shareholders of any member of the Group or any of their respective associates
“Company”	TOM Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM

“Completion”	completion of the Acquisition upon the terms and subject to the conditions set out in the Agreement
“Conditions”	has the meaning ascribed to it in the section headed “Conditions” above
“Consideration”	the consideration for the Acquisition, being a sum of RMB209,475,000 (equivalent to approximately HK\$196,912,014)
“Consultancy Services Agreement”	a consultancy services agreement dated 31 October 2002 entered into between TOM International and China Science Media, under which China Science Media has agreed to provide certain consultancy services in relation to the publishing and distribution of newspapers and magazines to TOM International at a fee of RMB10 million. The Consultancy Services Agreement was terminated on 5 July 2004 (i.e., the date of the Agreement)
“Cranwood”	Cranwood Company Limited, a company incorporated in the Republic of Liberia with limited liability and a company wholly-owned by Ms. Chau Hoi Shuen, which owns or is otherwise deemed under the SFO to be interested in 952,683,363 Shares (representing approximately 24.49% of the issued share capital of the Company) as at the date of this announcement
“CSM Shares”	shares of RMB1 each in the capital of China Science Media
“Director(s)”	the director(s) of the Company
“Easterhouse”	Easterhouse Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Hutchison Whampoa Limited, which owns 952,683,363 Shares (representing approximately 24.49% of the issued share capital of the Company) as at the date of this announcement
“Exclusive Advertising Agency Right”	has the meaning ascribed to it in the section headed “Exclusive Operation Agreement” above
“Exclusive Distribution Right”	has the meaning ascribed to it in the section headed “Exclusive Operation Agreement” above
“Exclusive Operation Agreement”	an exclusive operation agreement to be entered into between PCW Publishing House and the Joint Venture, under which PCW Publishing House will grant to the Joint Venture the Exclusive Distribution Right and the Exclusive Advertising Agency Right for a term of 20 years from the day on which the Joint Venture obtains the relevant permits and licences for the Business

“Feiteng”	Chongqing Feiteng Information Development Company Limited (重慶飛騰信息發展有限責任公司), a company established in the PRC and is owned as to 50% by Zeng Yue Long (曾躍龍), as to 25% by Li Da Xue (李大學) and as to 25% by Zhao Xiao Lan (趙曉嵐) as at the date of this announcement, all of which, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are independent of, and not connected with, any of the Directors, chief executive, substantial shareholders or management shareholders of any member of the Group or any of their respective associates
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Handel”	Handel International Limited, a company incorporated in the BVI with limited liability and is owned as to 90% by Cranwood, which owns 348,000,000 Shares (representing approximately 8.95% of the issued share capital of the Company) as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong. For the purpose of this announcement, the conversion rate between RMB and HK\$ is RMB1 ≡ HK\$1.0638
“HKGAAAP”	generally accepted accounting principles in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture”	China Popular Computer Week Management Company Limited (重慶電腦報經營有限責任公司), a domestic joint venture enterprise to be established in the PRC by China Science Media and Feiteng. Upon its establishment, the Joint Venture will be owned as to 90% by China Science Media and as to 10% by Feiteng
“Long Stop Date”	30 June 2005 (or such other date as TOM International may agree)
“Management Team”	the management team of the Joint Venture, namely Chen Zong Zhou (陳宗周), Li Yong Ming (李永明) and Li Lin (李林)
“Parties”	the parties to the Agreement and “Party” means any one of them

“PCW Publications”	has the meaning ascribed to it in the section headed “Exclusive Operation Agreement” above
“PCW Publishing House”	Diannaobaoshe (電腦報社), an operating unit of Chongqing Science and Technology Association (重慶市科學技術協會) (which is a state-owned association in the PRC), which, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, is independent of, and not connected with, any of the Directors, chief executive, substantial shareholders or management shareholders of any member of the Group or any of their respective associates
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Romefield”	Romefield Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Cheung Kong (Holdings) Limited, which owns 476,341,182 Shares (representing approximately 12.25% of the issued share capital of the Company) as at the date of this announcement
“Schumann”	Schumann International Limited, a company incorporated in the BVI with limited liability and is owned as to 90% by Cranwood, which owns 580,000,000 Shares (representing approximately 14.91% of the issued share capital of the Company) as at the date of this announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	849,029 CSM Shares, representing approximately 0.97% of the issued share capital of China Science Media (as enlarged by the issue of the Subscription Shares)
“TOM International”	TOM.COM INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

“TOM Online Group”

TOM Online Inc., a company incorporated in the Cayman Islands with limited liability, whose shares are listed on GEM, and its subsidiaries

“Top-Up Amount”

has the meaning ascribed to it in the section headed “Warranties” above

By Order of the Board
TOM Group Limited
Angela Mak
Company Secretary

Hong Kong, 5 July 2004

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

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

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

* *for identification purpose*