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TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

**DISCLOSEABLE TRANSACTION
INVOLVING CASH CONSIDERATION AND ISSUANCE OF NEW SHARES
in respect of
the acquisition of 50% of the equity interest in a company
to be established in the People's Republic of China
which will be engaged in the business of making of, distribution and sale of audio
and video products**

The Board is pleased to announce that on 5th March, 2002, TOM Solutions, a wholly-owned subsidiary of TOM, has entered into the Agreement with an independent third party, under which and subject to the terms and conditions thereof, TOM Solutions agrees to acquire, through the Equity Transfer and the Share Acquisition, 50% of the equity interest in Hong Xiang New Co., a company to be established in the PRC which will engage in the business of making of (including manufacturing through outsourcing), distribution and sale of audio and video products at an aggregate consideration of RMB110,131,730 (approximately HKD103,897,858).

RMB45,000,000 (approximately HKD42,452,830), being approximately 41% of the Consideration, will be satisfied by cash; and RMB65,131,730 (approximately HKD61,445,028), being approximately 59% of the Consideration, will be satisfied by the issuance and allotment of 11,151,548 Consideration Shares (representing approximately 0.34% of the Existing Capital and approximately 0.34% of the Enlarged Capital) (credited as fully paid) at HKD5.51 per TOM Share.

In addition, pursuant to the Agreement, an additional amount of RMB15,000,000 (approximately HKD14,150,943) will be paid by way of issuance and allotment of 2,568,229 Incentive Shares (representing approximately 0.08 % of the Existing Capital and approximately 0.08 % of the Further Enlarged Capital) (credited as fully paid) at HKD5.51 per TOM Share to Mr. Zhang and/or his nominee(s) if Hong Xiang New Co. attains an audited after-tax profits of not less than RMB30,000,000 (approximately HKD28,301,887) for the year ending 31st December, 2002.

The price per Consideration Share and Incentive Share represents a premium of approximately 38.62% to the closing price of HKD3.975 per TOM Share as quoted on the Stock Exchange on 4th March, 2002 (i.e., the date before the date of the Agreement) and a premium of approximately 41.9% to the average closing price of HKD3.883 per TOM Share of 10 consecutive trading days before the date of the Agreement (i.e., 5th March, 2002) as quoted on the Stock Exchange.

Based on the adjusted net tangible assets of TOM as at 30th September, 2001, the Hong Xiang Acquisition constitutes a discloseable transaction involving issuance of new TOM Shares under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Hong Xiang Acquisition will be despatched to the shareholders of TOM as soon as practicable.

Trading in TOM Shares was suspended from 10:00 a.m. on 5th March, 2002 and application has been made to the Stock Exchange for the resumption of trading in TOM Shares with effect from 10:00 a.m. on 6th March, 2002.

THE AGREEMENT

Date: 5th March, 2002

Parties: (1) TOM Solutions
(2) Mr. Zhang

Assets to be acquired

50% of the equity interest in Hong Xiang New Co. (of which 1% will be acquired by TOM Nominee and 49% will be acquired by TOM Solutions), which will be acquired by TOM Solutions through the Equity Transfer and the Share Acquisition. TOM has already sought PRC legal advice on the legality of the transactions contemplated under the Agreement and has received a preliminary legal opinion. The Directors have received comfort from its PRC legal counsels with respect to the above arrangement. Completion of the Hong Xiang Acquisition is conditional upon receiving a full legal opinion on the transactions contemplated under the Agreement, please refer to the section headed "Conditions precedent" for more information.

Major terms of the Agreement

(1) *Establishment of Hong Xiang New Co.*

Mr. Zhang will establish Hong Xiang New Co. in the PRC.

Proposed initial corporate structure of Hong Xiang New Co. is as follows:

- (a) Registered capital: Not less than RMB1,000,000 (approximately HKD943,396)
(all of which will be contributed by the PRC Shareholder and the BVI Shareholder in cash before Completion)
- (b) Shareholders: (i) 51% by the PRC Shareholder
(ii) 49% by the BVI Shareholder
- (c) Scope of business: making of (including manufacturing through outsourcing), distribution and sale of audio and video products

(2) Restructuring of Hong Xiang New Co.

Upon the establishment of Hong Xiang New Co., Mr. Zhang shall:

- (a) procure that:
 - (i) the shareholders of Hong Xiang (i.e., Mr. Zhang and Ms. Zhang) shall transfer all the business/assets in relation to the making of (including manufacturing through outsourcing), sale and distribution of audio and video products owned by Hong Xiang as at the date of the Agreement to Hong Xiang New Co., in return TOM Solutions will pay Mr. Zhang the Consideration; and
 - (ii) each member of the management team and other essential staff members (comprising of at least 3 persons including Mr. Zhang (as general manager) and Ms. Zhang (as manager)) of Hong Xiang shall enter into a labour service contract (in such form and substance satisfactory to TOM Solutions) with Hong Xiang New Co. prior to Completion. The terms of such labour service contract have not yet been agreed as at the date of the Agreement;
- (b) subject to TOM Solutions having been satisfied with the results of the due diligence carried by it on the assets and liabilities, business and prospects of the Retailers, Mr. Zhang and TOM Solutions will enter into a separate agreement whereby Mr. Zhang will transfer all of the equity interest that he directly or indirectly owns in each of the Retailers (being 80% of the equity interest in Shiji Hong Xiang, 65% of the equity interest in Jinhui and 80% of the equity interest in Hong Xiang Advertising) to Hong Xiang New Co.; and
- (c) if TOM Solutions is not satisfied with the results of due diligence exercise on the Retailers, TOM Solutions, at its sole discretion, may either (i) acquire Hong Xiang New Co. only and not the Retailers; or (ii) acquire none of the Retailers or Hong Xiang New Co., and in the latter case, the Agreement will be terminated. As at the date of the Agreement, no concrete terms has been reached with respect to the acquisition of the Retailers including the consideration and the proposed date of the acquisition. TOM will made an appropriate announcement after it has made a determination as to which option it will take. If TOM Solutions decides to proceed

with the acquisition of the Retailers, any consideration payable will be aggregated to the Hong Xiang Acquisition and the relevant announcement or disclosure will be made in accordance with Chapter 19 of the GEM Listing Rules.

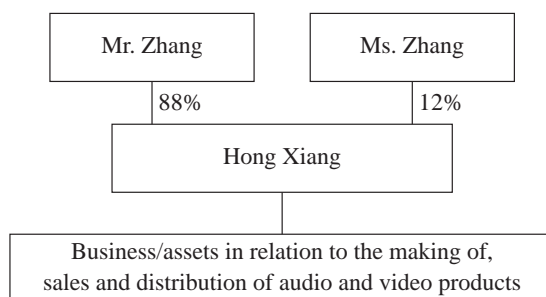
(3) *Equity Transfer*

TOM Nominee will acquire 1% of the equity interest in Hong Xiang New Co. from the PRC Shareholder. As a result, Hong Xiang New Co. will be owned as to 50% by the PRC Shareholder, as to 49% by the BVI Shareholder and as to 1% by TOM Nominee.

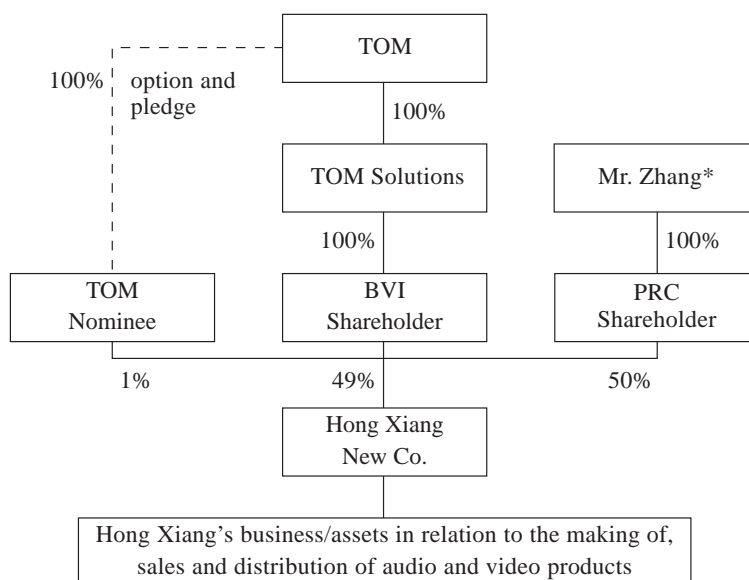
(4) *Share Acquisition*

TOM Solutions will acquire the entire issued share capital of the BVI Shareholder from Mr. Zhang and/or his nominee(s) at Completion. Upon Completion, the board of directors of Hong Xiang New Co. will consist of 5 members, of which 3 will be indirectly nominated by TOM Solutions and the remaining 2 will be nominated by Hong Xiang.

Shareholding structure of Hong Xiang as of the date of the Agreement



Shareholding structure of Hong Xiang New Co. immediately after Completion



* Mr. Zhang and Ms. Zhang have a private arrangement regarding their interests in Hong Xiang prior to the Completion.

TOM Solutions has been informed that Mr. Zhang and Ms. Zhang have no other line of businesses similar to that of Hong Xiang. Upon Completion, Hong Xiang New Co. will become a subsidiary of TOM (subject to confirmation by TOM's auditors).

Consideration

The aggregate consideration for the Equity Transfer and the Share Acquisition is RMB110,131,730 (approximately HKD103,897,858), of which,

- (a) RMB45,000,000 (approximately HKD42,452,830), being approximately 41% of the Consideration, will be paid in cash. The Cash Consideration will be funded by internal resources of TOM;

The Cash Consideration will be paid to Mr. Zhang in the following manner:

- (i) RMB5,000,000 (approximately HKD4,716,981) will be paid upon the signing of the Agreement; and
- (ii) RMB40,000,000 (approximately HKD37,735,849) will be paid on or before 31st March, 2002.

If any of the conditions precedent set out in the Agreement (please refer to the section headed "Conditions precedent" below) shall not have been fulfilled or waived by 31st December, 2002 (or such other date to be agreed between the parties), the Cash Consideration will be repaid to TOM Solutions.

- (b) RMB65,131,730 (approximately HKD61,445,028), being approximately 59% of the Consideration, will be satisfied by the issuance and allotment of 11,151,548 Consideration Shares (representing approximately 0.34% of the Existing Capital and approximately 0.34% of the Enlarged Capital) (credited as fully paid) at HKD5.51 per TOM Share to Mr. Zhang and/or his nominee(s) within 15 business days from the date of Completion.

The price per Consideration Share represents a premium of approximately 38.62% to the closing price of HKD3.975 per TOM Share as quoted on the Stock Exchange on 4th March, 2002 (i.e., the date before the date of the Agreement) and a premium of approximately 41.9% to the average closing price of HKD3.883 per TOM Share of 10 consecutive trading days before the date of the Agreement (i.e., 5th March, 2002) as quoted on the Stock Exchange. The price per Consideration Share was arrived at after arm's length negotiations between the parties and being a price being acceptable to Mr. Zhang and TOM Solutions.

For the avoidance of doubt, upon Completion Mr. Zhang will be the sole owner of the PRC Shareholder and thus all Consideration will be paid to Mr. Zhang only. TOM Solutions has been informed by Mr. Zhang that he has a private arrangement with Ms. Zhang as to the Consideration received by him hereunder. The Consideration was arrived at after arm's length negotiations between the parties and based on TOM's internal evaluation of the current size of business and future prospects (i.e., revenue growth and profit growth) of Hong Xiang New Co..

Earn-out Payment

Pursuant to the Agreement, if the amount of the audited after-tax profits made by Hong Xiang New Co. prepared in accordance with HKGAAP for the year ended 31st December, 2002 is equal to or more than RMB30,000,000 (approximately HKD28,301,887), Mr. Zhang will be entitled to the Earn-out Payment for an amount of RMB15,000,000 (approximately HKD14,150,943).

The Earn-out Payment will be satisfied by the issuance and allotment of 2,568,229 Incentive Shares (representing approximately 0.08 % of the Existing Capital and approximately 0.08 % of the Further Enlarged Capital) (credited as fully paid) at HKD5.51 per TOM Share to Mr. Zhang and/or his nominee(s) within 15 days from the later of (i) the date of issuance of the proforma audited accounts of Hong Xiang New Co. for the year ending 31st December, 2002 (which audited accounts is expected to be issued in late March, 2003); and (ii) the date of Completion.

The price per Incentive Share represents a premium of approximately 38.62% to the closing price of HKD3.975 per TOM Share as quoted on the Stock Exchange on 4th March, 2002 (i.e. the date before the date of the Agreement) and a premium of approximately 41.9% to the average closing price of HKD3.883 per TOM Share of 10 consecutive trading days before the date of the Agreement (i.e., 5th March, 2002) as quoted on the Stock Exchange.

Before the issuance of the Incentive Shares, the above amount will be reviewed by the independent Directors and TOM will disclose in an announcement and in TOM's annual report the details of whether the aforesaid amount is met or not and accordingly whether the Earn-out Payment is required to be made.

Lock-up period for Consideration Shares and Incentive Shares

(a) Consideration Shares

- (i) None of the Consideration Shares may be sold during the first 6 months after the date of issue of the Consideration Shares;
- (ii) (1) 50% of the Consideration Shares may be sold from the beginning of the 7th month after the date of issue of the Consideration Shares; and
(2) the remaining 50% of the Consideration Shares may be sold from the beginning of the 18th month after the date of issue of the Consideration Shares,
provided that the aggregate number of the Consideration Shares sold on any one trading day may not exceed 1% of the total number of the Consideration Shares.

(b) Incentive Shares

- (i) None of the Incentive Shares may be sold during the first 6 months after the date of issue of the Incentive Shares;
- (ii) (1) 50% of the Incentive Shares may be sold from the beginning of the 7th month after the date of issue of the Incentive Shares; and

(2) the remaining 50% of the Incentive Shares may be sold from the beginning of the 18th month after the date of issue of the Incentive Shares,

provided that the aggregate number of the Incentive Shares sold on any one trading day may not exceed 1% of the total number of the Incentive Shares.

All of the Consideration Shares and the Incentive Shares (if any) will be pledged with TOM Solutions during the aforesaid lock-up periods as a security for the due performance of the obligations of Mr. Zhang under the Agreement.

Incentive Profits

Pursuant to the Agreement, it was agreed that the audited after-tax profits of Hong Xiang New Co. prepared in accordance with HKGAAP for the 5 years ending 31st December, 2002 to 2006 (inclusive) in aggregate is not less than RMB183,150,000 (approximately HKD172,783,019) (“Incentive Profits”), and the management (being Mr. Zhang and other management) of Hong Xiang New Co. will be entitled to a bonus, payable in cash after the issue of the audited accounts of Hong Xiang New Co. for the year ending 31st December, 2006, for an amount equal to 20% of the amount that exceeds such Incentive Profits.

At the option of TOM Solutions, any shortfall of the Incentive Profits will be compensated within 15 business days after the date of issue of the audited accounts of Hong Xiang New Co. for the year ending 31st December, 2006 by:

- (a) the deduction from the PRC Shareholder’s entitlement to any dividend distribution of Hong Xiang New Co.; and/or
- (b) the sale proceeds from the disposal of such number of the Consideration Shares and/or Incentive Shares pledged to TOM Solutions during the relevant lock-up period; and/or
- (c) the cash compensation to be paid by Jingcai (which is a company beneficially wholly-owned by Mr. Zhang) as procured by Mr. Zhang.

The calculation on the Incentive Profits or any shortfall of the Incentive Profits (if any) will be reviewed by the independent Directors and TOM will make appropriate disclosures in an announcement and its annual report accordingly.

Conditions precedent

Completion is conditional on, inter alia, the following conditions having been fulfilled or waived on or before 31st December, 2002 (or such other date as the parties may agree):

- (a) Hong Xiang New Co. having been established in accordance with the laws of the PRC, being owned as to 49% by BVI Shareholder and as to 51% by PRC Shareholder and Hong Xiang New Co. having obtained the required approvals and licences for the making of (including manufacturing through outsourcing), sale and distribution of audio and video products;
- (b) BVI Shareholder having been established in accordance with the laws of the BVI and being wholly-owned by Mr. Zhang;

- (c) the Asset Acquisition having been completed in accordance with all applicable laws, rules and regulations;
- (d) the Equity Transfer having been completed in accordance with all applicable laws, rules and regulations after completion of the Asset Acquisition;
- (e) a labour service contract in such form and substance satisfactory to TOM Solutions having been duly executed between Hong Xiang New Co. and each member of the management team and other essential staff members (comprising of at least 3 persons including Mr. Zhang and Ms. Zhang) of Hong Xiang New Co.. The terms of such labour service contract have not been decided as of the date of the Agreement;
- (f) TOM Solutions having been satisfied with the result of the due diligence exercise carried out by it on the assets and liabilities, business and prospects of Hong Xiang New Co.;
- (g) TOM Solutions having been satisfied with the result of the due diligence exercise carried out by it on the assets and liabilities, business and prospects of the Retailers and the related documents with respect to the acquisition of the Retailers having been entered into and completed;
- (h) the board of directors of TOM Solutions having approved the transactions contemplated under the Agreement;
- (i) the Board and/or shareholders, if necessary, of TOM having approved the transactions contemplated under the Agreement (including, without limitation, the issuance of the Consideration Shares and the Incentive Shares);
- (j) the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares and the Incentive Shares;
- (k) all of the equity interest in each of the Retailers owned by Mr. Zhang having been duly transferred to Hong Xiang New Co. in accordance with all applicable laws, rules and regulations;
- (l) a legal opinion (in such form and substance satisfactory to TOM Solutions) opining on the legality of the transactions contemplated under the Agreement having been issued by such PRC legal counsel approved by TOM Solutions; and
- (m) each of Jingcai and the Retailers having entered into a sales agreement (in such form and substance satisfactory to TOM Solutions) with Hong Xiang New Co..

Completion

Completion shall take place on the 10th business day after the date on which all the conditions precedent as set out in the Agreement is fulfilled (or waived) on or before 31st December, 2002 or such other date as the parties may otherwise agree.

INFORMATION ON HONG XIANG

Hong Xiang was established in August 1993 in Guangzhou, the PRC. The company is primarily engaged in the business of making of (including manufacturing through outsourcing), distribution and sale of audio-video products which include digital video discs (DVD), video compact discs (VCD), compact discs (CD), video tapes (VHS) and cassettes. Hong Xiang sold products to the Retailers and Jingcai who contributed approximately 40% and 30% of Hong Xiang's 2001 revenue respectively. Hong Xiang also produces (including the design and creation of content) and licences programs from copyright owners. Such programs include television series, movies, educational and documentary programs, music videos (MV), karaoke and classical music. Hong Xiang itself also creates proprietary contents in the areas such as (i) health care and beauty, (ii) sports, (iii) musical instruments, (iv) dancing, (v) cookery and (vi) self-improvement. Approximately 70% of the employees of Hong Xiang are involved in the production and creation of content and substantial amount of revenue is attributable to such content. In 2000, Hong Xiang distribute over 17 million copies of VCDs which amount to over 20% of the total VCDs sold in the PRC. The Directors are of the view that the business of Hong Xiang is in line with the business objectives of TOM.

Mr. Zhang himself also runs a retailing business — Jingcai, a retail chain of over 200 audio-video products outlets all over China. Jingcai is one of the major retail outlets of Hong Xiang's products. Jingcai is currently one of Hong Xiang's distributors in the PRC and contributed to approximately 30% of Hong Xiang's revenue in 2001. As mentioned above, as one of the conditions precedent set out in the Agreement, Hong Xiang New Co. will enter into a sales agreement in such form and substance satisfactory to TOM Solutions with Jingcai.

The unaudited proforma net revenues of Hong Xiang prepared in accordance with PRC GAAP were approximately RMB141.2 million and approximately RMB212.1 million (approximately HKD133.2 million and approximately HKD200.1 million) for the years ended 31st December, 2000 and 31st December, 2001, respectively. The unaudited proforma profit before taxation of Hong Xiang prepared in accordance with PRC GAAP were approximately RMB25.0 million and approximately RMB44.8 million (approximately HKD23.6 million and approximately HKD42.3 million) for the years ended 31st December, 2000 and 31st December, 2001, respectively. The unaudited proforma profits after taxation of Hong Xiang prepared in accordance with PRC GAAP were approximately RMB16.8 million and approximately RMB30.0 million (approximately HKD15.8 million and approximately HKD28.3 million) for the years ended 31st December, 2000 and 31st December, 2001, respectively. As at 31st December, 2001, the unaudited proforma net tangible assets of Hong Xiang prepared in accordance with PRC GAAP was approximately RMB68.6 million (approximately HKD64.7 million). For the avoidance of doubt, the proforma numbers described above relates to the business in relation to the making of (including manufacturing outsourcing), sale and distribution of audio and video products that are the subject matter of this Agreement.

REASONS FOR ENTERING INTO THE AGREEMENT

The Directors consider that the Hong Xiang Acquisition is a strategic investment as Hong Xiang will provide TOM exciting new content and e-commerce opportunities. Hong Xiang can strengthen TOM's media platform, including but not limited to the production of online

and offline advertising content, broadband infotainment content syndication (music and video) for TOM's "Lifestyle for Chinese" portals as well as the e-commerce opportunity in Hong Xiang's music CD and VCD products. Such activities might allow TOM to further expand its revenue streams.

Furthermore, by leveraging Hong Xiang's distribution network, Hong Xiang will enable TOM to bundle traditional and new media assets into different configurations of product packages according to client needs. TOM's online content can be distributed to offline clients in the form of video tapes, CD ROMs, VCDs, music CDs, etc. thus helping TOM to distribute its content to a much wider audience in China. This is an important component to achieving a "total advertising solution" for TOM, which is a key element in its new media development strategies.

Moreover, the Hong Xiang Acquisition will provide TOM's portals the best selling products to be sold online thus generating significant revenues for TOM and good returns for TOM's shareholders.

TOM would like to provide the broadband content of music, movies and educational programmes through its portals. Hong Xiang, because of its expertise and close relationships with the copyright owners, can help TOM in producing and licensing such content exclusively. Hong Xiang itself also creates proprietary contents in the areas such as (i) health care and beauty, (ii) sports, (iii) musical instruments, (iv) dancing, (v) cookery and (vi) self-improvement. The Directors believe the abovementioned content will become a competitive advantage over their rivals and thus helping TOM to gain more market share and expand its customer-base.

TOM considers that the Hong Xiang Acquisition is a strategic investment in providing TOM an extended form of content distribution. In TOM's preliminary due diligence on Hong Xiang, TOM found that Hong Xiang has the capability to help in the aggregation of, bundling and archiving of TOM's online content (e.g. web pages, interviews, archived news, etc) and offline content (Business Weekly and PC Home magazines) through AV Products to reach a much wider audience. Such new media will create synergy for and assist TOM to fulfill its objectives in "blending of on-line experiences with *the provision of actual products* and services through accessing tom.com will attract significant viewers". Such extended coverage is crucial to TOM's advertising clients (more coverage means more valuable an advertisement is, and accordingly such an advertisement may be sold at a higher cost) and thus helping TOM to becoming a leading provider of "total advertising solution".

The Directors also believe that Hong Xiang is well positioned to provide unique syndication of "Lifestyle for Chinese" content and services to both the traditional media, such as television, and music and the new media such as Internet and interactive broadband services. In particular, TOM has specifically included the online sale of music CDs, entertainment and music related accessories, books, online music and comic courses products which are also the products carried by Hong Xiang. As a result, the Directors believe Hong Xiang's products are the exact products described in the Prospectus which TOM would like to have e-commerce services.

Based on the above reasons, the Directors are of the view that the Hong Xiang Acquisition is in line with the statement of business objectives of TOM including the e-commerce and “Lifestyle for Chinese” content syndication initiatives as disclosed in the Prospectus and to become a leading provider of “total advertising solutions” as disclosed in TOM’s 2000 annual report.

GENERAL

The Directors consider that the Agreement is entered into on normal commercial terms, and in the ordinary and usual course of business of TOM Group and that the terms of the Agreement are fair and reasonable and in the interests of the TOM Group so far as the shareholders are concerned.

The Consideration Shares and the Incentive Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the shareholders of TOM at the annual general meeting of TOM held on 27th April, 2001.

TOM will make an application to the Listing Committee of GEM for the listing of and permission to deal in the Consideration Shares and the Incentive Shares to be issued pursuant to the Agreement.

Based on the adjusted net tangible assets of TOM as at 30th September, 2001, the Hong Xiang Acquisition constitutes a discloseable transaction involving issuance of new TOM Shares under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Hong Xiang Acquisition will be despatched to the shareholders of TOM as soon as practicable.

The business of the TOM 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 of 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 advertising, online media businesses and magazine publishing.

Trading in TOM Shares was suspended from 10:00 a.m. on 5th March, 2002 and application has been made to the Stock Exchange for the resumption of trading in TOM Shares with effect from 10:00 a.m. on 6th March, 2002.

DEFINITIONS

- “Agreement” means a cooperation framework agreement entered into between TOM Solutions and Mr. Zhang in respect of the Hong Xiang Acquisition on 5th March, 2002
- “Asset Acquisition” means the transfer by Hong Xiang of all the business/assets in relation to the making of (including manufacturing through outsourcing), distribution and sale of audio and video products owned by it as at the date of the Agreement to Hong Xiang New Co. upon the establishment of Hong Xiang New Co.

“Board”	means the board of Directors of TOM
“BVI”	means the British Virgin Islands
“BVI Shareholder”	means a limited liability company to be incorporated in the BVI and wholly-owned by Mr. Zhang prior to Completion. Upon its establishment, BVI Shareholder will own 50% of Hong Xiang New Co.
“Cash Consideration”	means the amount of RMB45,000,000 (approximately HKD42,452,830) to be paid in cash to satisfy part of the Consideration
“Completion”	means completion of the Share Acquisition
“Consideration”	means the consideration for an amount of RMB110,131,730 (approximately HKD103,897,858) payable by TOM Solutions for the Hong Xiang Acquisition
“Consideration Shares”	means 11,151,548 TOM Shares credited as fully paid at HKD5.51 per TOM Share to be allotted and issued to Mr. Zhang and/or his nominee(s) as part of the Consideration
“Director(s)”	means the director(s) of TOM
“Earn-out Payment”	means the amount of RMB15,000,000 (approximately HKD14,150,943) payable by TOM Solutions to Mr. Zhang and/or his nominee(s) by way of issuance and allotment of the Incentive Shares
“Enlarged Capital”	means 3,297,637,356 TOM Shares in issue upon the Completion assuming that there are no further issues of TOM Shares from 5th March, 2002 up to the Completion other than the Consideration Shares
“Equity Transfer”	means the acquisition by TOM Nominee of 1% of the equity interest in Hong Xiang New Co. from the PRC Shareholder
“Existing Capital”	means 3,286,485,808 TOM Shares in issue as at 5th March, 2002
“Further Enlarged Capital”	means 3,300,205,585 TOM Shares in issue after Completion and the issue of the Consideration Shares and the Incentive Shares assuming that there are no further issues of TOM Shares from 5th March, 2002 up to the date of issue of the Incentive Shares other than the Consideration Shares and the Incentive Shares
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM
“HKD”	means Hong Kong dollars

“HKGAAP”	means the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Xiang”	means 廣州鴻翔音像製作有限公司, a domestic limited liability company organized and existing under the laws of the PRC which is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Hong Xiang is owned as to 88% by Mr. Zhang and as to 12% by Ms. Zhang
“Hong Xiang Acquisition”	means the acquisition by TOM Solutions of 50% of the equity interest in Hong Xiang New Co. through the Equity Transfer and the Share Acquisition pursuant to the Agreement
“Hong Xiang Advertising”	means 吉林省鴻翔音像廣告有限公司, a domestic limited liability company organized and existing under the laws of the PRC which is engaged in the retail distribution of audio video products business and is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Hong Xiang Advertising is owned as to 80% by Mr. Zhang and the remaining 20% interest is held by entities/persons who are independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules
“Hong Xiang New Co.”	means a Sino-foreign equity joint venture enterprise to be established by Mr. Zhang in the PRC. Upon Completion, Hong Xiang New Co. will be owned as to 49% by the BVI Shareholder, as to 50% by the PRC Shareholder, and as to 1% by TOM Nominee
“Incentive Shares”	means 2,568,229 TOM Shares credited as fully paid at HKD5.51 per TOM Share to be allotted and issued to Mr. Zhang and/or his nominee(s) pursuant to the Earn-out Payment
“Jingcai”	means 廣東精彩無限文化有限公司, a domestic limited liability company organized and existing under the laws of the PRC which is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Jingcai is beneficially wholly-owned by Mr. Zhang

“Jinhui”	means 成都市金輝音像有限公司, a domestic limited liability company organized and existing under the laws of the PRC which is engaged in the retail distribution of audio video products business and is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Jinhui is owned as to 65% by Mr. Zhang and the remaining 35% interest is held by entities/persons who are independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules
“Mr. Zhang”	means Zhang Baocheng (張寶成), the general manager of Hong Xiang, who is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Mr. Zhang owns 88% of the equity interest of Hong Xiang
“Ms. Zhang”	means Zhang Jing (張靜), Mr. Zhang’s sister, who is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Ms. Zhang owns 12% of the equity interest of Hong Xiang
“PRC”	means the People’s Republic of China
“PRC Shareholder”	means a domestic limited liability company organized and existing under the laws of the PRC, its entire equity interest is wholly-owned by Mr. Zhang. Upon the establishment of Hong Xiang New Co., PRC Shareholder will own 51% of Hong Xiang New Co.
“PRC GAAP”	means the generally accepted accounting principles adopted in the PRC
“Retailers”	means Shiji Hong Xiang, Jinhui and Hong Xiang Advertising
“RMB”	means Renminbi
“Share Acquisition”	means the acquisition by TOM Solutions of the entire issued share capital of BVI Shareholder from Mr. Zhang and/or his nominee(s)

- “Shiji Hong Xiang” means 北京世紀鴻翔音像有限公司, a domestic limited liability company organized and existing under the laws of the PRC which is engaged in the retail distribution of audio video products business and is independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules. As at the date of the Agreement, Shiji Hong Xiang is owned as to 80% by Mr. Zhang and the remaining 20% interest is held by entities/persons who are independent from the Directors, chief executive, substantial shareholders or management shareholders of TOM or any of their respective associates as defined under the GEM Listing Rules
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited
- “TOM” means TOM.COM LIMITED, a company incorporated in the Cayman Islands and whose shares are listed on GEM
- “TOM Group” means TOM and its subsidiaries
- “TOM Nominee” means a purely domestic PRC entity to be nominated by TOM Solutions to acquire 1% of the equity interest in Hong Xiang New Co. from PRC Shareholder. The shareholders of TOM Nominee have granted options to a wholly-owned subsidiary of TOM, under which such subsidiary of TOM is entitled at any time to acquire all the equity interests owned by the shareholders in TOM Nominee at a total consideration for an amount equal to the entire registered capital of TOM Nominee
- “TOM Share(s)” means share(s) of par value of HKD0.10 each in the capital of TOM
- “TOM Solutions” means TOM Solutions Limited, a limited liability company incorporated under the laws of the BVI on 8th February, 2000 and a wholly-owned subsidiary of TOM

HKD1 = RMB1.06

Hong Kong, 5th March, 2002

By Order of the Board
TOM.COM LIMITED
Angela Mak
Company Secretary

This announcement, for which the Directors of TOM 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 TOM. The Directors of TOM, 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 TOM at www.tom.com.