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TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

**PROPOSED DISCLOSEABLE TRANSACTION
INVOLVING CASH CONSIDERATION AND ISSUANCE OF NEW SHARES
Acquisition of 49% of the issued share capital of
a joint venture to be established in the print media business**

The Board is pleased to announce that on 14th May, 2001, Domatic, a wholly-owned subsidiary of Tom, has entered into a Framework Agreement with certain independent third parties, under which and subject to certain terms and conditions thereof, Domatic agrees to acquire 49% of the issued share capital of the Joint Venture to be established pursuant to the Reorganisation by way of subscription of new shares and purchase of existing shares in the Joint Venture for the Consideration of NTD1,301,440,000 (approximately HKD309,866,667).

85% of the Consideration (being NTD1,106,224,000 (approximately HKD263,386,667)) will be applied towards the purchase of existing shares of the Joint Venture and the balance of 15% of the Consideration (being NTD195,216,000 (approximately HKD46,480,000)) will be applied towards subscription of new shares in the Joint Venture.

NTD553,112,000 (approximately HKD131,693,333), being 42.5% of the Consideration, shall be satisfied by the allotment and issuance of 23,900,786 new Shares (credited as fully paid) at HKD5.51 per Share (representing approximately 0.74% and approximately 0.74% of the Existing Capital and the Enlarged Capital respectively). The balance of NTD748,328,000 (approximately HKD178,173,333) of the Consideration will be satisfied by payment of cash.

Based on the latest adjusted net tangible assets of Tom, the Acquisition will constitute a discloseable transaction involving issuance of new Shares under Chapter 19 of the GEM Listing Rules.

A further announcement will be made upon signing of the Definitive Documents and a circular containing details of the Acquisition will be despatched to the shareholders of Tom.

The Framework Agreement is conditional and may or may not proceed subject to the finalisation of the Definitive Documents. Investors should exercise caution when dealing in the Shares.

THE FRAMEWORK AGREEMENT

Date: 14th May, 2001

Purchaser: Domatic, a wholly-owned subsidiary of Tom

Key Parties:

- (1) Mr. Jan, a person independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates as defined under the GEM Listing Rules. At the date of the Framework Agreement, Mr. Jan owns approximately 10.1% and approximately 1.2% of the issued share capital of PC Home and Cité respectively.
- (2) Mr. Ho, a person independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates as defined under the GEM Listing Rules. At the date of the Framework Agreement, Mr. Ho owns approximately 10.7% and approximately 1.3% of the issued share capital of PC Home and Cité respectively.
- (3) PC Home, a company independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates as defined under the GEM Listing Rules. At the date of the Framework Agreement, other than Mr. Jan and Mr. Ho, PC Home is owned by approximately 120 individuals and corporations (which include employees, venture funds and other individual investors) who are independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates.
- (4) Cité, a company independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates as defined under the GEM Listing Rules. At the date of the Framework Agreement, other than Mr. Jan and Mr. Ho, Cité is owned by approximately 140 individuals and corporations (which include employees, venture funds and other individual investors) who are independent from the Directors or chief executive or substantial shareholders or management shareholders of Tom or any of their respective associates.

Major terms of the Framework Agreement

- (a) Subject to the prior approvals of the respective boards and shareholders of PC Home and Cité, and regulatory approvals (if applicable), on or before 1st August, 2001 (or such later date as the parties may otherwise agree), Mr. Jan agrees to procure the consolidation of the interests in the business of publishing and distribution of magazines owned by PC Home and the business of publishing and distribution of books owned by Cité by establishing the Joint Venture whereby all the interests in PC Home, Cité and companies and entities in which PC Home and/or Cité are interested, and any other interests owned by PC Home, Cité and such companies and entities, in each case, relating to the publication and distribution of magazines and books and related businesses (excluding PC Home's 29.91% interest in PC Home Online Limited, but including SmartNet Limited. The interest in SmartNet Limited will be subject to the Reorganisation and will be disclosed in the announcement to be issued upon signing of the Definitive Documents or the circular in respect of the Acquisition) will be owned, managed and operated by the Joint Venture; and
- (b) Subject to the respective parties' boards' and shareholders' approvals and regulatory approvals (if applicable) and completion of the Reorganisation, the terms of the Definitive Documents being agreed and/or executed (as the case may be) and results of the legal, financial and business due diligence of the Joint Venture and the business plan being completed to the reasonable satisfaction of Domatic, Domatic shall acquire by way of subscription of new shares and purchase of existing shares in the Joint Venture that will result in Domatic owning 49% of the issued share capital of the Joint Venture upon completion of the Acquisition. Such approvals shall include but not be limited to the approval from the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Assets to be acquired

49% of the issued share capital of the Joint Venture by way of subscription of new shares and purchase of existing shares in the Joint Venture.

Consideration

The Consideration for the Acquisition is NTD1,301,440,000 (approximately HKD309,866,667). 85% of the Consideration (being NTD1,106,224,000 (approximately HKD263,386,667)) will be applied towards the purchase of existing shares of the Joint Venture and the balance of 15% of the Consideration (being NTD195,216,000 (approximately HKD46,480,000)) will be applied towards subscription of new shares in the Joint Venture.

The Consideration will be paid from internal resources of Tom. The portion of Consideration to be applied towards subscription of new shares in the Joint Venture will be used as the working capital of the Joint Venture.

The aforementioned 100% of the Consideration shall be payable in the following manner: –

- (1) NTD553,112,000 (approximately HKD131,693,333), being 42.5% of the Consideration, to be satisfied by the allotment and issuance to the Other Shareholders of 23,900,786 new Shares (credited as fully paid) at HKD5.51 per Share based on arm's length negotiations and the price being acceptable by the Key Parties (representing a premium of approximately 162.38% to the closing price of HKD2.10 per Share as quoted on the Stock Exchange on 14th May, 2001 and a premium of approximately 164.14% to the average closing price of HKD2.086 per Share of the 10 consecutive trading days (including 14th May, 2001) before the date of the Framework Agreement as quoted on the Stock Exchange), representing approximately 0.74% and approximately 0.74% of the Existing Capital and the Enlarged Capital respectively. The Consideration Shares shall be subject to lock-up provisions (which shall not be longer than 6 months from the issuance date and that any disposal after such lock-up period shall be subject to a maximum limit of 1% of the Consideration Shares per day, the unused portion of such limit cannot be accumulated for subsequent disposal) to be described in the Definitive Documents; and
- (2) NTD748,328,000 (approximately HKD178,173,333), being 57.5% of the Consideration, to be satisfied by the payment of cash.

The timing for the payment of the Consideration is as follows: –

- (a) The Deposit in the amount of NTD195,216,000 (approximately HKD46,480,000) will be paid by Domatic to the Key Parties on or before 23rd May, 2001, subject to the following provisions:-
 - (i) If the Definitive Documents are not executed on or before 31st August, 2001 as a result of Domatic at its sole discretion having decided not to proceed with the Acquisition and through no fault on the part of the Key Parties, the Key Parties shall repay 80% of the Deposit within 3 days upon demand by Domatic;
 - (ii) If the Definitive Documents are not executed on or before 31st August, 2001 as a result of the Key Parties at its sole discretion having decided not to proceed with the Acquisition and through no fault on the part of Domatic, the Key Parties shall repay 120% of the Deposit within 3 days upon demand by Domatic; and
 - (iii) If the Definitive Documents are not executed on or before 31st August, 2001 through no fault on the part of any party to the Framework Agreement, the Key Parties shall repay the Deposit together with interest (at Prime plus 1% per annum) to Domatic within 3 days upon demand. Such interest shall accrue from day to day calculated on the basis of a year of 365 days, from and including the date payment of the Deposit by Domatic to and including the date of repayment by the Key Parties to Domatic. If the Definitive Documents are executed on or before 31st

August, 2001, then such Deposit shall be treated as and credited against the payment of the 15% of the Consideration which shall be attributable to the subscription of new shares of the Joint Venture by Domatic and in accordance with the terms of the Definitive Documents. The Key Parties further agree that after 31st August, 2001, at the request of Domatic, the Key Parties shall further extend such time by an additional 2 months whereby the parties shall endeavour to finalise and execute the Definitive Documents within such additional time and the provisions of exclusivity shall apply to the Key Parties during such additional time.

- (b) upon completion of the Acquisition, Domatic shall pay the balance of the cash consideration of NTD553,112,000 (approximately HKD131,693,333) as well as the NTD533,112,000 (approximately HKD131,693,333) consideration to be paid in new Shares in accordance with the terms of the Definitive Documents.

The Consideration was arrived at after arm's length negotiations based on relevant benchmarks (such as business profile and future prospects) at NTD2,656,000,000 (approximately HKD632,380,952) (of which NTD1,756,800,000 (approximately HKD418,285,714) is attributable to the magazine publishing business and the remaining NTD899,200,000 (approximately HKD214,095,238) is attributable to the book publishing business) and the management representations of business and prospective business prospects of the Joint Venture.

Future funding of the Joint Venture

The parties agree that future funding of the Joint Venture for working capital purposes (where necessary) shall be satisfied by way of (i) bank loans, (ii) shareholders' loans to be provided by shareholders in proportion to their respective shareholding interest in the Joint Venture, (iii) subscription of new shares by existing shareholders or new investors, or (iv) convertible loan up to a maximum of NTD200 million to be provided by Domatic. Details of such funding arrangement will be described in the Definitive Documents/circular in respect of the Acquisition. If this constitutes a connected transaction, Tom will comply with the GEM Listing Rules.

Composition of the board of directors of the Joint Venture

It is agreed that the board of directors of the Joint Venture shall consist of 7 members, of which 4 shall be nominated by Domatic and the remaining 3 by the Other Shareholders.

Possible listing of the Joint Venture

It is the intention of the parties that after the completion of the Acquisition, the Joint Venture will endeavour to seek the Listing. The parties shall give such co-operation and assistance to the board of the Joint Venture (including restructuring of the Joint Venture) so as to enable the Joint Venture to qualify for Listing.

- (1) In the event that the Listing of the Joint Venture does not take place within 18 months after the Joint Venture achieves the minimum requirements of listing on the Stock Exchange (other than by reason of (a) the Merchant Bank recommending not to proceed as the then market conditions are unfavourable or (b) in the view of the Merchant Bank, the value of Domatic's investment in the Joint Venture immediately prior to Listing is or will be less than 125% of its investment cost (including but not limited to the Consideration and further injection of capital by Domatic) in the Joint Venture and Domatic decides not proceed with the Listing) and thereafter the Other Shareholders holding not less than 75% of the Other Shareholders' total interests in the issued share capital of the Joint Venture have resolved that Domatic has (with the full cooperation on the part of all the shareholders of the Joint Venture) failed to assist the Joint Venture with its Listing, then the Other Shareholders having passed such resolution shall procure all Other Shareholders to give Domatic a written notice whereby Domatic shall have the option to either (a) sell all of its then shareholding interest in the Joint Venture at the prevailing market price to the Other Shareholders or a bona fide third party purchaser; or (b) acquire all the Other Shareholders' shareholding interest in the Joint Venture at the prevailing market price. Such prevailing market price shall be determined by independent valuers in the manner to be described in the Definitive Documents.

Tom will comply with the GEM Listing Rules in the event that the Joint Venture is listed.

- (2) Each of Domatic, Mr. Jan and Mr. Ho agrees to certain restrictions on the sale of their respective shareholding interest in the Joint Venture and each of Mr. Jan and Mr. Ho agrees to certain non-competition restrictions, details of which will be disclosed in the circular which will be despatched to shareholders of Tom according to the GEM Listing Rules within 21 days from the date of this announcement.

Exclusivity

Each of the Key Parties agrees to provide exclusivity to Domatic to finalise the terms and conditions of the Definitive Documents and not to enter into negotiations with any other parties with respect to investment in the Joint Venture by 24th October, 2001 provided that if the events under subparagraph (a)(ii) of the section headed "Consideration" above occur, such exclusivity period shall be increased by an additional 6 months.

INFORMATION ON PC HOME AND CITÉ

PC Home is the leading magazine publishing group on information technology, personal finance and learning in Taiwan. Established in 1995, PC Home has expanded rapidly from one magazine to over 16 magazines, many of them are leading titles in their respective categories. For instance, *PC Home* is one of the best selling magazines in the beginner market for personal computers and *Smart* is one of the best selling magazines in the personal finance market.

Cité is a leading book publisher in Taiwan and was established in 1996. There are 15 different publishers grouped within Cité, each has its own style and theme and is a leader in its field. For example, Rye Field Press is the leader in literature, Owl Publishing is best known for reference books and Mook is the leading Chinese language travel publisher. Cité has published over 4,000 different titles to date.

Based on preliminary due diligence and information provided by the management of PC Home and Cité, the combined net revenues of PC Home and Cité are approximately NTD2 billion (approximately HKD476 million) in year 2000 and the combined net tangible assets of PC Home and Cité are approximately NTD827 million (approximately HKD197 million) and that preliminary due diligence indicate that after adjusting for certain one-off expenses, they are not yet profitable. The accuracy of these financial figures are subject to due diligence and therefore may change. No financial figures are available for 1999. These financial figures will be disclosed upon the execution of the Definitive Documents or as soon as practicable after they become available.

REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

Pursuant to the Framework Agreement, PC Home and Cité will undergo a restructuring on or before 1st August, 2001 (or such later date as the parties may otherwise agree) whereby the Joint Venture will be established and all the book and magazine publishing and distribution businesses of PC Home and Cité will be consolidated, owned and operated by the Joint Venture.

The Directors consider that PC Home and Cité are successful magazine and book publishers respectively, with thematic titles, strong market recognition and mass appeal. Hence, the Joint Venture represents a credible and sizeable platform for Tom's growth in the print media business. In addition, the Acquisition further reinforces Tom's cross-media strategy. It is the intention of Tom that the offline content produced by the Joint Venture would be distributed through Tom's family of online assets, thereby increasing Tom's cross-media advertising selling capability, yielding additional revenue and enhancing market competitiveness.

The Directors are of the view that the establishment of the Joint Venture and the Acquisition by Tom combine the strengths and resources of Tom, PC Home and Cité to become the main vehicle of Tom for expansion in the print media business. With the strong shareholders backing and management expertise, the Joint Venture aims to become the largest Chinese print media platform which will grow through acquisitions in Mainland China and other parts of the Greater China Region. Growth will also come from extending the successful franchises of PC Home and Cité to other Chinese speaking populations worldwide.

The Acquisition is in line with the statement of business objectives of Tom as disclosed in Tom's prospectus dated 18th February, 2000.

PROPOSED DISCLOSEABLE TRANSACTION

Based on the adjusted net tangible assets of Tom as at 31st March, 2001, the Acquisition will constitute a discloseable transaction under Chapter 19 of the GEM Listing Rules.

Further announcement will be made upon the signing of the Definitive Documents and a circular containing the details of the Acquisition will be despatched to the shareholders of Tom.

GENERAL

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

The Consideration 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, in accordance with the GEM Listing Rules, make an application to the Listing Committee of GEM for the listing of and permission to deal in the Consideration Shares to be issued under the Acquisition.

The business of the Tom Group includes the operation of cross-media and telecom value added services which include an internet portal delivering internet infotainment content and services, 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, free web-based e-mail service provision, outdoor media advertising, online media businesses and magazine publishing.

The Framework Agreement is conditional and may or may not proceed subject to the finalisation of the Definitive Documents. Investors should exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	means the acquisition by Domatic of 49% of the issued share capital of the Joint Venture by way of subscription of new shares and purchase of existing shares in the Joint Venture
“Board”	means the board of Directors of Tom
“Citè”	means Citè Publishing Limited, a limited liability company incorporated in Taiwan

“Consideration”	means the total consideration payable by Domatic for the Acquisition
“Consideration Shares”	means 23,900,786 Shares to be allotted and issued as part of the Consideration
“Definitive Documents”	means all necessary documentation and agreements including but not limited to a subscription and sale and purchase agreement and a shareholders’ agreement setting out the detailed terms and conditions based on the provisions of the Framework Agreement in respect of the Acquisition to be executed by Domatic and the Key Parties on or before 31st August, 2001, or such later date as the parties may otherwise agree
“Deposit”	means a refundable cash deposit in the amount of NTD195,216,000 (approximately HKD46,480,000) to be paid by Domatic to the Key Parties
“Director(s)”	means the director(s) of Tom
“Domatic”	means Domatic International Limited, a limited liability company incorporated in the British Virgin Islands being a wholly-owned subsidiary of Tom
“Enlarged Capital”	means 3,242,850,461 Shares in issue upon completion of the Acquisition assuming that there are no further issues of Shares from 14th May, 2001 up to completion of the Acquisition other than the Consideration Shares
“Existing Capital”	means 3,218,949,675 Shares in issue on 14th May, 2001
“Framework Agreement”	means a conditional agreement entered into between Domatic and the Key Parties setting out, inter alia, the major terms of the Acquisition on 14th May, 2001
“GEM Listing Rules”	means Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“HKD”	means Hong Kong Dollars

“Joint Venture”	means the new joint venture company to be established in the British Virgin Islands pursuant to the Reorganisation
“Key Parties”	means Mr. Jan, Mr. Ho, PC Home and Cité
“Listing”	means the possible listing of the shares of the Joint Venture on any appropriate stock exchange (including the Stock Exchange) as may be agreed between Domatic and Mr. Jan
“Merchant Bank”	means such merchant bank as jointly appointed by Domatic and the Joint Venture
“Mr. Ho”	means Fei-Peng Ho, the chairman of PC Home, managing director of Cité and a shareholder of both Cité and PC Home
“Mr. Jan”	means Jan Hung-Tze, the chief executive officer of PC Home, chairman of Cité and a shareholder of both Cité and PC Home
“NTD”	means New Taiwanese Dollars
“Other Shareholders”	means the shareholders of the Joint Venture other than Domatic
“PC Home”	means PC HOME Publication Group Limited, a limited liability company incorporated in Taiwan
“Prime”	means the base rate or the best lending rate that banks use in pricing commercial loans as determined by the Association of Banks in Hong Kong from time to time
“Reorganisation”	means the reorganisation to be undertaken for the purpose of consolidating the interests in the business of publishing and distribution of magazines owned by PC Home and the business of publishing and distribution of books owned by Cité by establishing the Joint Venture
“Share(s)”	means share(s) of par value of HKD0.10 each in the capital of Tom
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Taiwan”	means Taiwan

“Tom Group” means Tom and its subsidiaries

“Tom” means TOM.COM LIMITED

HKD1 = NTD4.2

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

Hong Kong, 14th May, 2001

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 statement 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 7 days from the date of its posting and on the website of Tom at www.tom.com.