



TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2383)

Proposed acquisition of 27 per cent. of the issued share capital of and the subscription of US\$5,000,000 convertible bonds to be issued by Huayi Brothers International Holdings Limited

The Board is pleased to announce that the Company, through its wholly-owned subsidiary, TOM Entertainment, has entered into the Share Purchase Agreement pursuant to which, amongst other things, TOM Entertainment will acquire 27 per cent. of the issued share capital of Huayi Brothers. On completion of the Acquisition, Huayi Brothers will issue the convertible bonds to TOM Entertainment for the amount of US\$5,000,000 and TOM Entertainment will, inter alia, enter into the Shareholders Agreement regulating the relationship between the shareholders of Huayi Brothers.

The Acquisition does not constitute a notifiable transaction of the Company under the Chapters 14 or 14A of the Listing Rules. This announcement is made to update the public of the latest development of the Company.

The board of directors ("Board") of TOM Group Limited ("Company") is pleased to announce that on 9 December 2004, TOM Entertainment Group Limited ("TOM Entertainment", a wholly-owned subsidiary of the Company), entered into the share purchase agreement ("Share Purchase Agreement") with Wang Zhongjun (王忠軍), Wang Zhonglei (王忠磊) and Liu Xiaomei (劉曉梅) (collectively, "Vendors") and ChinaEquity International Holding Limited ("ChinaEquity").

Pursuant to the Share Purchase Agreement, the Vendors will dispose of and TOM Entertainment will purchase shares in Huayi Brothers International Holdings Limited ("Huayi Brothers") ("Huayi Shares"), representing 27 per cent. of the issued share capital of Huayi Brothers, at a consideration of US\$5,000,000, subject to adjustment and the terms and conditions of the Share Purchase Agreement ("Acquisition").

On the completion of the Acquisition, Wang Zhongjun (王忠軍), Wang Zhonglei (王忠磊) and Huayi Brothers will also enter into the instrument in respect of the issuance of the guaranteed convertible bonds in the aggregate principal amount of US\$5,000,000 ("Convertible Bonds") to TOM Entertainment. Huayi Brothers' obligations under the Convertible Bonds will be guaranteed by Wang Zhongjun (王忠軍) and Wang Zhonglei (王忠磊). The Convertible Bonds will bear interest at 6% per annum and will mature in 2007. Upon full conversion, the Convertible Bonds will be converted into 8% of the enlarged issued share capital of Huayi Brothers. Taking into account of the Huayi Shares acquired by TOM Entertainment under the Acquisition, TOM Entertainment will be interested in approximately 35% of the enlarged issued share capital of Huayi Brothers if it exercises in full of the conversion rights pursuant to the Convertible Bonds.

Upon completion of the Acquisition, the Vendors, TOM Entertainment, ChinaEquity and Huayi Brothers will enter into a shareholders' agreement ("Shareholders Agreement") for the purpose of regulating the relationship between the shareholders of Huayi Brothers and governing certain aspects of the affairs of Huayi Brothers.

The long term goal shared by the Company and the Vendors is to seek a public listing of Huayi Brothers on a recognised stock exchange within three years of the date of the Shareholders Agreement. Prior to the listing of Huayi Brothers, TOM Entertainment has the option to increase its interest in Huayi Brothers up to an aggregate of 47% of the issued share capital of Huayi Brothers (which includes the full conversion of the Convertible Bonds). In the event, inter alia, the listing of Huayi Shares on a recognised stock exchange has not been completed within the three years, TOM Entertainment shall have the right to put all or part of the shares held by TOM Entertainment in Huayi Brothers to the Vendors.

Information on Huayi Brothers

Huayi Brothers is one of the largest private film and television production and distribution companies in Mainland China. Its businesses encompass the entire value chain of entertainment, from film/television program production and distribution, advertising, and talent management. Its successful and well-known productions include *Cellphone* 《手機》, *Warriors of Heaven and Earth* 《天地英雄》 and *Big Shot's Funeral* 《大腕》. Its latest productions, *Kung Fu Hustle* 《功夫》 and *A World Without Thieves* 《天下無賊》, are expected to be box-office hits in December this year.

Reasons for the Acquisition

This Acquisition marks a strategic extension of the Company's existing media business portfolio. As one of the strongest and most dynamic players in Mainland China's popular entertainment industry, Huayi Brothers will bring to the Company access to some of the most exciting talent in China and availability to a broader content base which may create synergies with the Company's various media assets, in that such content may also be distributed over the various media owned by the Company such as the CETV platform and the internet platform operated by TOM Online Inc.

The Acquisition does not constitute a notifiable transaction of the Company under the Chapters 14 or 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). This announcement is made to update the public of the latest development of the Company.

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

Hong Kong, 9 December 2004

As at the date hereof, the directors of the Company are:

Executive Directors:

Mr. Sing Wang

Ms. Tommei Tong

Independent non-executive Directors:

Mr. Henry Cheong

Ms. Anna Wu

Mr. James Sha

** for identification purpose*

Non-executive Directors:

Mr. Frank Sixt (Chairman)

Ms. Debbie Chang

Mrs. Susan Chow

Mr. Edmond Ip

Mrs. Angelina Lee

Mr. Holger Kluge

Mr. Wang Lei Lei

Please also refer to the published version of this announcement in The Standard.