

TOM.COM LIMITED

(incorporated in the Cayman Islands with limited liability)



First Quarterly Report 2000

WWW.TOM.COM

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This document, for which the directors of TOM.COM LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to TOM.COM LIMITED. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the first announcement of unaudited results since the listing of TOM.COM LIMITED ("Tom") on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited on 1 March 2000.

Tom was the first Internet portal to be so listed on GEM, and it is already perceived by investors as one of GEM's leading stocks. Given our strong shareholders and our experienced management team, we are now well positioned to seize strategic opportunities and to become a leading brand in the new economy.

As we move forward, our content will continue to centre on the twin themes "Total China Experience" and "Lifestyle of Chinese". This clearly focused strategy has already brought about the successful launch of GoChinaGo.com. We are now moving ahead to develop ten further content-rich portals, which will be launched beginning June 2000.

We shall also be taking Tom into the international arena by establishing local community sites in the world's major cities.

FINANCIAL REVIEW

For the first three months of 2000, Tom's turnover amounted to HK\$738,000. As Tom is still in the early stage of investment and development, a loss of HK\$45,370,000 was reported during this period. Total website development expenses were HK\$24,694,000, and these were funded by the placing and issue of new shares.

Approximately HK\$760 million (before over-allotment) was raised through the issue of 428 million new shares at HK\$1.78 per share. Dealings in shares commenced on 1 March 2000, with the share price closing at HK\$7.75, an increase of 335% over the offer price, on the first day of trading. In view of the strong market demand, BNP Prime Peregrine Capital Limited ("BNP Prime Peregrine") exercised its over-allotment option on 10 March 2000, raising an

additional HK\$114 million. Currently, approximately 2,941 million Tom shares have been issued.

The funds raised are being used to develop technology and content, for promotion and marketing activities, to develop e-commerce business, for strategic investments and as general working capital.

OPERATIONS REVIEW

In the first quarter of 2000, Tom launched TOMCAST and established partnerships with several key content providers.

Launch of TOMCAST

Tom made its online debut on 18 January 2000 with the launch of TOMCAST, a powerful media tool that personalises news content for its users and offers community features in a Chinese language environment. The site has 164,000 registered subscribers as at 31 March 2000 and an average daily page view of over one million. In late February, during the initial public offering phase, daily page views on occasion reached more than 5 million.

Strategic Alliances

During the period under review, Tom entered into a number of partnerships that will enable Tom to establish a strong presence in the areas of travel, sports and infotainment.

China Travel Network

The formation of itravel Limited with leading travel expert China Travel Network Co. Ltd (“CTN”) will provide PRC travel related content and online travel agency services via the multi-lingual portal, GoChinaGo.com, which was launched in the second quarter of 2000. Strongly backed by China International Travel Service, the PRC’s largest state run travel agency and one of CTN’s major shareholders, GoChinaGo.com is a milestone in the development of Tom’s online China travel services.

Alliances with sports-related partners

In March, a number of alliances were set up with sports-related partners in the PRC to take Tom firmly into China's sports scene. These included the co-development with the International Management Group of the new Chinese Football Association's official website. Tom intends to partner with the China University Students' Sports Association and China High School Students' Sports Association to form a co-operative joint venture, which will create and operate a website featuring youth and student sports.

OneAsia.com

Tom increased its shareholding in OneAsia.com to 31% during the first quarter of 2000. OneAsia.com specialises in providing an exciting range of web-based multi-lingual Asian music, movies and entertainment products that should appeal strongly to Tom's community of users.

FUTURE PLANS AND DEVELOPMENTS

In the future, Tom will progressively enrich and diversify its contents, launching an increasing number of value-added services for users around the world.

The successful launch of GoChinaGo.com already puts Tom ahead in its ability to tap the huge potential of the online China travel market.

The China travel market has grown as never before. China received approximately 72 million inbound visitors in 1999. GoChinaGo.com, with its appealing travel information and user-friendly online booking and e-commerce capabilities, is ideally positioned to capitalise on the vast opportunities presented by China's inbound travel and, at a later stage, outbound travel as well, in both the B2C and B2B markets.

On 28 April 2000, Tom announced that it had acquired a 50% equity stake in Shanghai Maya Online Broadband Network Company Limited ("Maya Online"). This investment reflects Tom's strategy of acquiring interests in companies whose businesses complement its portal offerings. As well as giving exclusive access to the broad spectrum of content provided by Maya Online, this

investment offers distribution rights as well as additional business and revenue generating prospects using Shanghai's rapidly developing broadband network infrastructure.

In the next few months, comprehensive plans are in hand to build 10 content portals covering news, personal finance, travel, sports, music and movies, lifestyle, games, love and relationships, self-enrichment and culture. These portals will be launched successively from June 2000 and will provide multimedia content accessible through both broadband and WAP applications.

On the international front, Tom will be establishing local community sites in major cities around the world, starting with Taiwan, Toronto, and San Francisco. Given the strong brand presence that Tom has established, we expect that these and other city sites will be warmly received by overseas Chinese and non-Chinese speaking communities.

To speed up our implementation of global strategy, we were pleased to appoint Mr. James Sha as a non-executive director to the Board on 12 May 2000. Mr. Sha is recognised as a pioneer in the US Internet industry, having held senior positions in a number of large Internet related companies. He will act as a senior advisor to Tom, focussing on strategies in our international portal development and overseas investments.

The launch of TOMCAST and GoChinaGo.com has already begun to generate advertising revenue. As additional content and more services are launched, we are confident that revenues will increase.

Frank Sixt
Chairman

Hong Kong, 15 May 2000

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months ended 31 March 2000

	Notes	Three months ended 31 March	
		2000 HK\$'000	1999 HK\$'000
Turnover		<u>738</u>	<u>486</u>
Cost of sales		60	78
Interest income		(39,816)	(125)
Website development expenses		24,694	–
Advertising and promotion expenses		28,363	24
Depreciation and amortisation		12,090	1,693
General and administrative expenses		<u>25,240</u>	<u>2,495</u>
Operating loss		49,893	3,679
Share of loss of an associated company		<u>989</u>	<u>–</u>
Loss before taxation		50,882	3,679
Taxation credit	2	<u>–</u>	<u>4</u>
Loss after taxation		50,882	3,675
Minority interests		<u>5,512</u>	<u>–</u>
Loss attributable to shareholders		<u>45,370</u>	<u>3,675</u>
Loss per share	3	<u>1.79 cents</u>	<u>0.16 cents</u>

Notes:

1. Basis of presentation

Tom was incorporated in the Cayman Islands on 5 October 1999 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Tom's shares have been listed on GEM operated by The Stock Exchange of Hong Kong Limited since 1 March 2000.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of Tom's shares on the GEM, Tom became the ultimate holding company of the Group. Details of the Reorganisation are set out in the Prospectus of Tom dated 18 February 2000. The results of the Group comprise the results of all companies now comprising the Group using the merger basis of accounting as if the current group structure had been in existence since 1 January 1999, and where applicable, from their respective dates of incorporation or acquisition by the Group, whichever is later.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong.

2. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the period.

Tom's subsidiaries established in the People's Republic of China ("PRC") are subject to the Income Tax Law of the PRC for Enterprises with Foreign Investment and are entitled to income tax holiday for a maximum of two years from the first profit making year and a 50% reduction in income tax for the following three years. No provision for PRC income tax has been made in the accounts as the subsidiaries in the PRC had no assessable profits during the period.

The taxation credit for the three months ended 31 March 1999 represented a PRC income tax refund for the previous year.

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

3. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2000 is based on the unaudited consolidated loss attributable to shareholders of HK\$45,370,000 (1999: HK\$3,675,000) and the weighted average number of 2,539,151,685 (1999: 2,300,000,000) ordinary shares outstanding. The 2,300,000,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its initial public offering of its shares in March 2000, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 January 1999.

The exercise of the share options granted by Tom would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2000.

4. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period (1999: Nil).

5. Transfer to reserve

Pursuant to the Reorganisation, Tom repurchased for a price of HK\$7.75 per share all of its 100,000 shares of US\$1.00 in issue and such US\$1.00 shares were then cancelled. The nominal value of shares repurchased was transferred from revenue reserve to capital redemption reserve.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2000, the interests of the Directors in the shares of Tom and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of shares of Tom				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Carl Chang	40,000	–	–	–	40,000
Guy Look	40,000	–	–	–	40,000

Save as disclosed above, none of the Directors or their associates had, as at 31 March 2000, any interests in the shares of Tom or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Plan adopted by Tom on 11 February 2000, Mr. Carl Chang and Mr. Guy Look were granted options to subscribe for 30,270,000 shares and 9,080,000 shares in Tom respectively at an exercise price of HK\$1.78 per share exercisable during the period from 11 February 2001 to 10 February 2011 (both dates inclusive) (1st tranche of 20% from 11 February 2001, 2nd tranche of 30% from 11 February 2002 and the remaining tranche of 50% from 11 February 2003).

Save as disclosed above, during the three months ended 31 March 2000, none of the Directors of Tom was granted options to subscribe for shares of Tom.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2000, the register required to be kept under Section 16(1) of the SDI Ordinance showed that Tom has been notified of the following interests, being 10% or more of the issued share capital of Tom. These interests are in addition to those disclosed above in respect of the Directors:

Name of shareholders	No. of shares held
Li Ka-shing	1,380,000,000 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Holdings Limited	1,380,000,000 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Trustee Corporation Limited (<i>as trustee of The Li Ka-Shing Unity Discretionary Trust</i>)	1,380,000,000 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Trustee Company Limited (<i>as trustee of The Li Ka-Shing Unity Trust</i>)	1,380,000,000 (<i>Notes 1 & 2</i>)
Cheung Kong (Holdings) Limited	1,380,000,000 (<i>Notes 1 & 2</i>)
Cheung Kong Investment Company Limited	460,000,000 (<i>Note 1</i>)
Cheung Kong Holdings (China) Limited	460,000,000 (<i>Note 1</i>)
Sunnylink Enterprises Limited	460,000,000 (<i>Note 1</i>)
Romefield Limited	460,000,000 (<i>Note 1</i>)
Hutchison Whampoa Limited	920,000,000 (<i>Note 2</i>)
Hutchison International Limited	920,000,000 (<i>Note 2</i>)
Easterhouse Limited	920,000,000 (<i>Note 2</i>)
Chau Hoi Shuen	920,000,000 (<i>Note 3</i>)
Cranwood Company Limited	920,000,000 (<i>Note 3</i>)
Schumann International Limited	575,000,000 (<i>Note 3</i>)
Handel International Limited	345,000,000 (<i>Note 3</i>)

Notes:

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnylink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SDI Ordinance, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 460,000,000 shares held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which Mr. Li Ka-shing owns the entire issued share capital, owns the entire share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited which as trustee of The Li Ka-Shing Unity Discretionary Trust, holds a majority of units in The Li Ka-Shing Unity Trust.

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 920,000,000 shares held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meeting of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 460,000,000 shares and 920,000,000 shares held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise of more than one-third of the voting power at the general meeting of Cranwood Company Limited.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen and Cranwood Company Limited are deemed to be interested in the 575,000,000 shares and 345,000,000 shares held by Schumann International Limited and Handel International Limited respectively.

Save as disclosed above, the Directors are not aware of any other person having an interest in shares representing 10% or more of the issued share capital of Tom.

COMPETING INTERESTS

None of the Directors or the management shareholders of Tom (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by Tom's sponsor, BNP Prime Peregrine, as at 31 March 2000, neither BNP Prime Peregrine nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the share capital of Tom.

Pursuant to the agreement dated 17 February 2000 entered into between Tom and BNP Prime Peregrine, BNP Prime Peregrine will receive a fee for acting as Tom's retained sponsor for the period from 17 February 2000 to 31 December 2002.

YEAR 2000 COMPLIANCE

The Board is pleased to announce that all accounting and financial applications in the Group were fully Year 2000 compliant and therefore, the Year 2000 compliance issue had no material adverse impact on the business operations in all functional areas of the Group.

AUDIT COMMITTEE

Tom has established an audit committee with written terms of reference in January 2000. The audit committee comprising an executive Director, Mr. Guy Look and two independent non-executive Directors, Mr. Henry Cheong and Mrs. Angelina Lee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2000, neither Tom nor any of its subsidiaries purchased, sold or redeemed any of Tom's listed shares.