



TOM.COM LIMITED | Half-year Report 2000

(incorporated in the Cayman Islands with limited liability)

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

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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 of TOM.COM LIMITED, 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

I am pleased to announce the half-year results of TOM.COM LIMITED ("Tom") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2000.

In the past six months, Tom has focused on achieving primarily two objectives:

- Building a powerful, unparalleled brand in the Chinese Internet market
- Establishing a solid platform which forms the basis for our future growth

Both elements are critical in fulfilling the Group's overall mission of "Bringing China to the World and the World to China". We believe the Group's systematic and focused strategy is showing early signs of success: the "Tom" brand has become a household name in the Chinese Internet World; and our portals, especially the Mainland China version in simplified Chinese characters, have received enthusiastic reviews. In the month following the 27 June Grand Launch, pageviews have reached over 4 million a day, and is continuing to grow steadily.

We managed to achieve these objectives by spending about US\$20 million for the six months ended 30 June 2000.

Financial Performance

The Group's unaudited consolidated turnover for the three months ended 30 June 2000 amounted to HK\$5,279,000 and represents a meaningful growth from the first quarter of 2000. As a result of substantial investment in branding and platform building, loss attributable to shareholders of the Group of HK\$193,891,000 (equivalent US\$24.9 million) was reported for the six months ended 30 June 2000. Our costs comprised mainly web development and branding which in aggregate cost about US\$20 million, and the balance of operating expenses of about US\$10 million were made up of mainly depreciation, amortization, general and administrative costs.

Since much of the branding and web development costs are non-recurring in nature, and that a certain scale of operation has been achieved, our ongoing monthly operating costs is likely to be sustained at relatively lower levels.

As at 30 June 2000, the Group had a cash and bank balance of about HK\$754 million.

Operations

Portal

During the second quarter of 2000, we concentrated our efforts on building a network of portals with a unique personality, features and content. Positioned as the ultimate web destination for Chinese and on China, the Group adopted the approach of aggregating the most popular channels in the build-up of Tom's websites as truly a mega portal.

On 27 June 2000, in the initial phase of our progressive portal launch, we delivered eight channels in Hong Kong. They cover news, finance, games, popular technology, movies, music, travel and lifestyle.

The Mainland China version of our mega portal, in simplified Chinese characters, was also unveiled on 27 June 2000. The site demonstrates Tom's knowledge of and familiarity with the Chinese culture and interests and the site provides twelve specially designed channels from news and finance, military, fashion, arts and culture, literature, movies, and sports to science and technology. Alliances with leading content partners have helped put us head to head with other players for the vast China audience. Our objective is for Tom to enter the field with the best and richest content in order to build a stronger customer base.

Technology

Complementing Tom's comprehensive content is our unique application of artificial intelligence technology called "Autonomy". It is a dynamic reasoning engine with cross-language search/push application for tracking targeted information on targeted topics for our users. This personalised content delivery arrangement not only gives Tom a leading edge among Chinese portals; it also offers enhanced revenue streams through targeted advertising and e-commerce opportunities, bringing a higher "buyer to browser" ratio and a more cost-effective advertising reach.

e-commerce

During the period under review, Tom initiated its e-commerce operations with TOM'S SHOP, where secure payment can be made via Tom's own innovative online micro payment solution-TOP (Tom's Online Payment Solution).

Major Investments

Tom complements its internal production effort with strategic equity investments in companies whose content, technology or user base provide synergistic benefits, content advantage and revenue opportunities.

Proceeds from Tom's initial public offering have been used to fund the following investments during the period under review:

AAStocks.com

- acquisition of a 50% equity interest in AAStocks.com Limited from a US online stock trading expert All Asia Financial LLC and to develop AAStocks.com – proprietary stock analysis services powered by artificial intelligence for the Greater China community. The purchase consideration is HK\$30.4 million. Revenue is expected to be derived mainly from service subscriptions. It is expected to be launched in early August 2000.

She.com

- an initial subscription of a 35% stake in She.com International Holdings Limited (“She.com”) for HK\$19.5 million, and Tom has the option to increase its stake to 51%. She.com intends to build an Asian women’s online community with both content and online e-commerce as its major offerings.

Maya Online

- following the completion of the acquisition of Shanghai Maya Online Broadband Network Company Limited (“Maya Online”) on 31 July 2000, Tom has a 50% interest in Maya Online. The purchase consideration is approximately HK\$218.5 million, the first portion of which amounted to about HK\$23.5 million was paid on 30 May 2000. The time schedule for the payment of the second portion as described in Tom’s circular dated 19 May 2000 has not yet been agreed by the parties. A further announcement will be made upon such time schedule being agreed between the parties. Maya Online is one of the largest broadband content providers in Mainland China. Its business consists of collecting, processing, production and dissemination of network information, broadband video on demand and commercial information services in Mainland China.

Future Prospects

Despite recent changes in stock market sentiment, we believe the Asian Internet market, particularly the Chinese Market, still has huge growth potential. Tom is in a strong position to achieve market leadership given our shareholder backing, dominant brand and access to potential industry consolidation opportunities.

Having developed our portal platform, we are increasingly focused on building critical mass in the portal space and growing revenues. To achieve this, Tom will place increasing emphasis on China-related investments and acquisitions to accelerate Tom’s future growth. Through our shareholders’ support and the attractiveness of the Tom brand, we have access to a number of potentially exciting investment opportunities. Clearly investment will only be contemplated on satisfying a strong business case, either based on revenues or synergistic benefits in terms of content, technology and e-commerce potential.

Tom has just obtained approval from the relevant Mainland China government department for the establishment of a wholly foreign-owned enterprise investment holding vehicle. The registered capital of such investment holding vehicle is expected to be US\$30 million. The business scope of such entity includes the right to make investment in the telecommunication, electronics, computer and information systems areas where foreign investment is encouraged and permitted by the Mainland China government and provision of the related services.

In the volatile market environment anticipated for the remainder of 2000, we shall continue to place special emphasis on containing operating costs. We believe cost-effectiveness is best achieved by leveraging the lower cost structure of our Mainland China operations. However, the Hong Kong operation remains crucial to our success in terms of potential e-commerce opportunities, leading-edge creativity and being a hub for investment professionals.

Delivering our Vision

The successful launch of our network of portals is the result of the tireless efforts of our staff and management. On behalf of the Board of Directors, I would like to express our sincere gratitude and appreciation for their hard work.

I would also like to take this opportunity to welcome Mr. Sing Wang as our newly appointed Chief Executive Officer and Executive Director. Mr. Wang brings to the Group a powerful blend of hi-tech and investment banker experience that is invaluable as we move into an exciting and challenging future.

Frank Sixt

Chairman

Hong Kong, 1 August 2000

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the business objectives as stated in the prospectus dated 18 February 2000

Actual business progress

(paragraphs in bold type represent the progress exceeding the set business objectives as stated in the prospectus)

Content development

1. Soft launch of Tom website

Following the debut of our site on 18 January 2000 the Hong Kong, Mainland China and English versions of Tom website was soft launched at the end of March 2000.

On 27 June 2000, Tom officially launched the Hong Kong and Mainland China versions. A total of 20 channels along with rich community features and functional applications such as webmail, Specialist@TOM, polling, message board, e-cards and search engines were unveiled.

Through the unique behaviour prediction engine “Autonomy”, Tom offers the world’s first cross-Chinese/English search application on the web.

WAP ready content was also made available through Tom’s Daily for downloading news on PDA and WAP phones.

2. Source for Chinese cultural and lifestyle content in Greater China through alliances and strategic investments

Apart from developing content by Tom’s in-house web content management team, the Group has sourced, edited and repackaged, as required, the content supplied by cultural and lifestyle content providers including China Cultural Exchange Association, Beijing Xin Chao Yue Advertising Company Limited and Beijing Oriental Spider Advertising Company Limited.

The Group formed a joint venture with online travel expert China Travel Network Co. Ltd. (“CTN”) to offer a one-stop China travel information and online booking portal called GoChinaGo.com. This multi-lingual portal was launched in April 2000 and is a milestone in the development of Tom’s travel-related online services.

With a 35% interests in She.com, the Group is supplied with women lifestyle content. Following the completion of the Maya Online acquisition, the Group has a 50% interests in Maya Online which provides extensive cultural-related content.

The Group will continue to source its content in a variety of ways, either through content provision contracts, in-house development or by acquiring interests in companies which provide content that is complementary to the portal’s offering.

3. Form content alliances with content providers to acquire content in health, popular technology, food and wine

The Group has entered into agreement with one of Hong Kong’s leading audio-video related magazines *Audiotechnique*, which has agreed to supply exclusive and extensive audiovisual information to Tom for its popular technology channel.

The Computer Network Information Centre of the Chinese Academy of Sciences has agreed to supply to our Mainland China website a wide variety of popular science topics, meeting the interest of Mainland China audiences.

Other providers in these categories include She.com and Maya Online.

Tom also launched the game channel in both the Hong Kong and Mainland China versions which provides full and in-depth coverage of TV, PC and online games.

4. Adapt sports, books, music CDs and learning content for lifestyle portal

Through strategic investment in OneAsia.com (Holdings) Limited (“OneAsia.com”) which offers entertainment-focused e-commerce products and services, the Group has access to a rich variety of Chinese music and video products.

In terms of sports-related content, the Group has sponsored the official website of the Chinese National Football League and provides audiences with coverage of Mainland Chinese soccer activities. Sports news are also provided to Tom by Maya Online.

5. Develop entertainment and music content

Tom launched its music and movie channels in late June 2000 with content provided by Metro Broadcast Corporation Limited (“Metro”), Maya Online and OneAsia.com.

6. Outsource content translation work

With Chinese content developed in-house as well as supplied by content providers, the Group has outsourced the translation work to develop the content for the English version of the portal since March 2000.

e-commerce development

1. Introduce basic e-commerce services by forming alliances with on-line merchants, books, music and VCDs will be among the initial on-line shopping items

Both OneAsia.com and Maya Online have the e-commerce platform as an online merchant of Chinese video and music products.

The Group has also developed its own branded merchandises under TOM'S SHOP. This e-commerce initiative is complemented by our proprietary online secure payment system called TOP (Tom's Online Payment Solution) and a customer service call centre.
2. Offer on-line travel services through itravel Limited ("itravel")

As mentioned, itravel, the joint venture with CTN, launched GoChinaGo.com and provides comprehensive online travel services including hotel and air ticket reservation as well as exotic tour packages.
3. Begin to generate advertising revenues through general advertising on web banners

Since the soft launch of the portal in March 2000, Tom has started to generate advertising revenues through general advertising on web banners. Tom has also secured a number of founding advertisers supporting the official launch of the portal in late June 2000.

Technology development

1. Complete development of TOMCAST, a desktop multimedia news ticker

TOMCAST was launched in the first quarter of 2000 and a new version was developed and introduced in the second quarter of 2000.
2. Complete adaptation of proprietary news processing system from Metro

Metro has been one of the major sources of news for Tom since launch and Tom has been using Metro's proprietary news processing system. The news is updated from Metro through the system on a real-time basis.

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| 3. Complete development of basic e-commerce functions and credit card payment gateway | TOM'S SHOP, the first e-commerce initiative, was launched in the second quarter of 2000 with credit card payment gateway supported by a credit card clearing bank. In addition, Tom has developed and launched a micro payment service. |
| 4. Continue system migration to an enterprise-level platform that supports a multimillion membership base | All major systems have migrated to a scalable enterprise-level platform such as servers, databases, e-mail, other community services, content management system, call centre, etc. Such system components have been internally hosted in a world class data centre. |
| 5. Complete system development for management information system reporting and web access statistics | Tom has completed computerisation of its management information system which will be further improved by using Oracle terminal solution. Tom also uses Webtrend for web access statistics. |
| 6. Complete implementation and integration of web advertising management system with billing capabilities | Autonomy is being used for advertisement management system with its personalised advertisement push functionality. |
| 7. Start to construct data warehouse for member profiling | Autonomy forms the major member profiling infrastructure. |

Resources deployment

1. Expand the technical team into the following functional groups: Data Centre, IT Administration, Database Administration, System Support, Application Development, Content Migration, Helpdesk, Network/Security, Web R&D

The IT department has been expanded to cover all IT support.
2. Expand the content production team under the following functions: web production, graphic design, editorial, content research, translation, archiving

Different content teams were set up, each led by a channel master with functions of editorial, content research, concept development and etc. A production team on design and production support the content teams on their visual presentation.

The content archiving function is also done using the content management system.
3. Expand the marketing and business development team to build brand image

The marketing team looking after the Group's marketing and public relations functions has been formed. Tom has successfully created a strong brand presence and awareness in the region.

In addition, the business development team has been expanded to explore various investment opportunities.

4. Expand sales team Tom has established a sales development team and will continue to expand throughout the year.
5. Establish Beijing and Shanghai offices A Beijing office has been set up and a wholly foreign-owned enterprise (WFOE) has been formed in Shanghai but no office has yet been established. However, it is expected that Tom will have a strong presence in Shanghai through its investment in Maya Online.

Tom has on 28 July 2000 undertaken a realignment of manpower resources exercise (“Realignment Action”). Such Realignment Action would not affect Tom’s operations and will position Tom to be competitive in the Internet industry. Tom intends to capture the Mainland China market growth through merger and acquisition or organic growth and opportunity taking into consideration market changes and to allocate appropriate resources between Hong Kong and the Mainland China.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 June 2000

	Notes	Three months ended 30 June		Six months ended 30 June	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover		<u>5,279</u>	<u>792</u>	<u>6,017</u>	<u>1,278</u>
Cost of sales		3,853	5	3,913	83
Interest income		(14,293)	(88)	(54,109)	(213)
Website development expenses		47,664	–	72,358	–
Advertising and promotion expenses		45,782	81	74,145	105
Depreciation and amortisation		13,447	1,490	25,537	3,183
General and administrative expenses		<u>56,844</u>	<u>2,601</u>	<u>82,084</u>	<u>5,096</u>
Operating loss		148,018	3,297	197,911	6,976
Share of loss of associates		4,018	–	5,007	–
Share of loss of a jointly controlled entity		<u>1,318</u>	<u>–</u>	<u>1,318</u>	<u>–</u>
Loss before taxation		153,354	3,297	204,236	6,976
Taxation credit	2	<u>–</u>	<u>–</u>	<u>–</u>	<u>4</u>
Loss after taxation		153,354	3,297	204,236	6,972
Minority interests		<u>4,833</u>	<u>–</u>	<u>10,345</u>	<u>–</u>
Loss attributable to shareholders		<u>148,521</u>	<u>3,297</u>	<u>193,891</u>	<u>6,972</u>
Loss per share	3	<u>5.05 cents</u>	<u>0.14 cents</u>	<u>7.08 cents</u>	<u>0.30 cents</u>

Notes:

1. Basis of preparation

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 the GEM operated by the Stock Exchange 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 Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

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.

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 and six months ended 30 June 2000 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$148,521,000 and HK\$193,891,000 (1999: HK\$3,297,000 and HK\$6,972,000) and the weighted average number of 2,941,130,899 and 2,740,141,292 (1999: 2,300,000,000 and 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 and six months ended 30 June 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 30 June 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 (<i>Note</i>)	40,000	–	–	–	40,000
Guy Look	40,000	–	–	–	40,000

Save as disclosed above, none of the Directors or their associates had, as at 30 June 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.

Note: Mr. Carl Chang resigned as an executive director of Tom with effect from 17 July 2000.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Plan adopted by Tom on 11 February 2000 (as described in the Appendix IV to Tom's prospectus dated 18 February 2000), Mr. Carl Chang and Mr. Guy Look were granted options to subscribe for 30,270,000 shares and 9,080,000 shares of Tom respectively at an exercise price of HK\$1.78 per share exercisable during the period from 11 February 2001 to 10 February 2010 (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).

Pursuant to the Employee Share Option Scheme (the "Employee Share Option Scheme") adopted by Tom on 11 February 2000 (as described in the Appendix IV to Tom's prospectus dated 18 February 2000), Mr. James Sha was granted option on 8 April 2000 to subscribe for 15,000,000 shares of Tom at an exercise price of HK\$8.78 per share exercisable during the period from 8 April 2001 to 7 April 2010 (both dates inclusive) (1st tranche of 20% from 8 April 2001, 2nd tranche of 30% from 8 April 2002 and the remaining tranche of 50% from 8 April 2003).

Pursuant to the Employee Share Option Scheme, Mr. Sing Wang was granted option on 30 June 2000 to subscribe for 15,000,000 shares of Tom at an exercise price of HK\$5.27 per share exercisable during the period from 30

June 2001 to 29 June 2010 (both dates inclusive) (1st tranche of 20% from 30 June 2001, 2nd tranche of 30% from 30 June 2002 and the remaining tranche of 50% from 30 June 2003).

Save as disclosed above, during the six months ended 30 June 2000, none of the Directors or their associates was granted options to subscribe for shares of Tom.

OUTSTANDING SHARE OPTIONS

As at 30 June 2000, options to subscribe for an aggregate of 144,962,000 shares of Tom granted pursuant to the Pre-IPO Share Option Plan and the Employee Share Option Scheme are outstanding. Details of which are as follows:

(1) Pre-IPO Share Option Plan

Options to subscribe for an aggregate of 78,696,000 shares of Tom were granted, of which, Mr. Carl Chang was granted an option to subscribe for 30,270,000 shares and Mr. Guy Look was granted an option to subscribe for 9,080,000 shares, the balance of 39,346,000 share options were granted to six employees at the date of grant at an exercise price of HK\$1.78 per share. All of these options have a duration of 10 years from 11 February 2000, but shall lapse where the grantee ceases to be employed by the Group or the Hutchison group of companies.

(2) Employee Share Option Scheme

Options to subscribe for an aggregate of 66,266,000 shares of Tom (which includes the options granted to Mr. Sing Wang and Mr. James Sha as disclosed above) outstanding as at 30 June 2000, breakdown of which are set out below:

No. of share options	No. of employees	Exercise price per share HK\$	Exercise period
14,364,000 *	254 *	11.3	23 March 2001 to 22 March 2010
15,000,000	1	8.78	8 April 2001 to 7 April 2010
7,000,000	1	4.685	31 May 2001 to 30 May 2010
14,902,000 **	308 **	5.89	26 June 2001 to 25 June 2010
15,000,000	1	5.27	30 June 2001 to 29 June 2010

* Subsequent to 30 June 2000 and up to the date of this report, a total of 1,418,000 share options granted to 25 employees have lapsed.

** Subsequent to 30 June 2000 and up to the date of this report, a total of 4,066,000 share options (of which 138,000 share options have lapsed as a result of certain employees having only partially accepted the share options granted to them) granted to 86 employees have lapsed.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 Sunnynlink 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 Sunnynlink 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 issued 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 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

Mr. Frank Sixt, the Chairman and Mrs. Susan Chow, a non-executive Director of Tom respectively, are executive directors of Hutchison Whampoa Limited which engages in e-commerce projects and operates general information portals. The Directors believe that there is a risk that such businesses may compete with those of the Group's.

Mr. Edmond Ip, a non-executive Director of Tom, is an executive director of Cheung Kong (Holdings) Limited which engages in e-commerce projects and operates general information portals. The Directors believe that there is a risk that such businesses may compete with those of the Group's.

Mr. Sing Wang, an executive Director and the Chief Executive Officer of Tom, is a non-executive chairman and shareholder of 163.net. 163.net is the largest free email service provider in the Mainland China and a small part of its businesses include the provision of content and e-commerce services. In addition, Mr. Wang is also a non-executive vice-chairman and shareholder of China Youth Travel Services E-commerce Co. ("CYTS") whose main business consists of the provision of on-line travel services in China. The Directors believe that there is a risk that the businesses of 163.net and CYTS may compete with those of the Group's. However, the Directors are also of the view that the invaluable experience of Mr. Wang in Internet industry will complement the development of the Group's business.

Save as disclosed above, none of the Directors or the management shareholders of Tom (as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules")) have any interests 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 Capital Limited (the "Sponsor"), as at 30 June 2000, an associated company and two employees of the Sponsor held 179,000 shares and a total of 50,000 shares in Tom respectively.

Save as disclosed above, neither the Sponsor 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 securities of Tom, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 17 February 2000 entered into between Tom and the Sponsor, the Sponsor 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 comprises 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. The audit committee has met 2 times since its formation.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2000, neither Tom nor any of its subsidiaries purchased, sold or redeemed any of Tom's listed shares.