



## **TOM.COM LIMITED Third Quarterly Report 2000**

(Incorporated in the Cayman Islands with limited liability)

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## **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 of TOM.COM LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this document 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 document misleading; and (iii) 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 third quarterly results of TOM.COM LIMITED ("Tom") and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2000.

Third quarter saw rapid revenue growth and significant expansion at Tom. During the quarter, we implemented major strategic and operational changes and under new leadership the management team made good progress in executing a new business plan that we believe will result in the creation of significant shareholder value.

To summarize our results and key developments:

- Tom ranked the fifth of China's top 15 web properties in iamasia's latest survey of home Internet users in China.
- Total turnover for the third quarter was HK\$13.2 million, representing an increase of 150% over the prior period. Turnover performance does not take into account revenues from Rich Wealth Holdings Limited ("Rich Wealth"), Sharkwave Asia Pacific Limited ("Shawei"), Y.C. Press Advertising Limited, 廣東羊城報業廣告有限公司 and 廣東羊城報業體育發展有限公司 (collectively referred to as "YC Companies") and 昆明風馳明星信息產業股份有限公司 ("Fench Star"). As noted below under "Financial Performance", these acquisitions are expected to contribute to a significant increase in turnover in the fourth quarter and going forward.
- Portal-related turnover increased by 175% to HK\$12.1 million.
- The total number of clients electing to advertise on our media properties reached 100, over 6.5 times the number in the second quarter.
- We were first to launch a voice portal in China, and also introduced an instant messaging platform, "Tom-Q", along with other Internet media technology innovations on our web platforms and portals.

- Tom raised an additional HK\$478 million through a share top-up placement and subscription exercise in September 2000, bringing total cash reserves to approximately HK\$1.1 billion at the end of the third quarter.
- We executed acquisition and alliance transactions with four leading mainland offline and online companies. These transactions, all of which were completed or are expected to be completed during the fourth quarter, represent a total new investment by the Group of HK\$1,060 million, to be satisfied almost entirely by way of issuing new ordinary shares resulting in a modest dilution of 6% to the existing shareholders.
- Operating loss before depreciation, amortization and one time reorganization costs decreased by 17% from the second quarter to HK\$112.3 million. Based on the monthly run rates at the end of the quarter the Group's operating expenditures are expected to reduce by a further 25% during the fourth quarter.
- Among consumers, our brand continues to be one of the best well-known and high-profile in our major markets, in some cases overtaking traditional media in terms of recognition and awareness.

## Financial Highlights

For the three months period ended

HK\$'000	30 September 2000	30 June 2000	31 March 2000
Turnover	13,221	5,279	738
Cost of sales	8,344	3,853	60
Gross profit	4,877	1,426	678
Interest income	10,651	14,293	39,816
Website development expenses	44,814	47,664	24,694
Advertising and promotion expenses	31,093	45,782	28,363
General and administrative expenses	51,908	56,844	25,240
Operating loss before depreciation, amortization and one time reorganization costs	112,287	134,571	37,803

## Financial Performance

Tom generated turnover of HK\$13.2 million for the third quarter, representing an increase of 150% over the prior quarter. Portal-related turnover increased to HK\$12.1 million, an increase of 175% over the second quarter. Note that our favorable turnover performance does not take into account the contributions from Rich Wealth, Shawei, YC Companies and Fench Star, which will begin to be reflected in the fourth quarter. Upon completion of these four acquisitions and alliances, the addition of these revenue streams will result in a significant increase in total turnover for subsequent periods, derived mainly from the acquisitions of YC Companies and Fench Star which are estimated to contribute approximately HK\$350 million in additional turnover for the year 2001. We expect the offline and online synergies will further increase the turnover for Tom.

The total number of clients electing to advertise on our media properties reached 100, more than 6.5 times the number in the second quarter. Moving forward, the combination of 163.net, Shawei, YC Companies and Fench Star with Tom will expand our Group's client base to over 500.

Tom was able to solidify its cash position by raising an additional HK\$478 million through a share top-up placement and subscription exercise in September 2000, which resulted in a modest dilution to our existing shareholders of 3.2%. As a result of this highly successful share subscription, total cash reserves reached HK\$1.1 billion at the end of the third quarter. Based on our existing operating structure and the reduced expenditure base which we have achieved as a result of restructuring activities during the quarter, we are confident that our cash reserves are well in excess of our needs for the foreseeable future. Without taking into account interest income and revenue generated by our operations, our reserves would cover our expenses for three years. Tom expects to have achieved cashflow breakeven well before this time.

Operating loss before depreciation, amortization and one time reorganization costs decreased by 17% from the second quarter to HK\$112.3 million. We aim to further lower the existing operating expenses by a further 25% in the fourth quarter as we continue to rationalize and streamline our operations, resulting in further reduction of operating loss.

### **Business Review**

We significantly expanded our business scope during the third quarter, moving from a pure online portal to an integrated cross-media company with complementary suites of both online and offline media and related operations. This strategy enables Tom to draw upon additional revenue streams while utilizing common resources, media expertise and market position. Our ranking as the fifth amongst "China's top 15 web properties" in iamasia's latest survey for China's home Internet users confirmed our achievement in the China Internet market.

Implementing this cross-media strategy, we executed four major acquisition and investment transactions which have been completed or are expected to be completed by the fourth quarter in 2000. These include the acquisition of or investment in:

- China's leading sports portal – “shawei.com” – through acquiring the entire equity interest of Shawei for a total consideration of approximately HK\$155 million.
- A 70% stake in China's leading sports marketing and management companies – YC Companies – for approximately HK\$236.6 million.
- China's largest free email service by partnering with 163.net through an acquisition of the entire equity interest of Rich Wealth for HK\$374.4 million.
- 49% or more (up to the maximum permitted by laws of China) of the equity interest of China's leading outdoor media company – Fench Star. The consideration for the entire interest in Fench Star including incentive payment to senior management of Fench Star is approximately HK\$294.8 million.

By integrating these companies after completion, Tom is building a comprehensive online and offline advertising offering which will achieve synergies and significant cross-selling opportunities. It is our plan to integrate our sales and marketing organizations to further strengthen this cross-selling platform, with the ultimate objective of offering a “one stop shop” package to advertisers covering the entire value chain of different media platforms including online, print, outdoor, events and television. Integration will also focus on streamlining operations and reducing costs in each of the individual operations. In addition, by combining the online operations of Tom, Shawei and 163.net, we have identified and expect to continue to identify cost reduction opportunities, especially in production and web site development, systems, content development and corporate overhead.

During the quarter we also introduced an array of cutting-edge user applications in our online media operations, utilizing sophisticated technologies that clearly differentiates us from our competitors. Our Beijing team soft-launched “TOM Voice” – China’s first voice portal. “TOM Voice”, which combines voice, Internet and telecommunications applications, provides users with multi-lingual telephone voice activated access to stock quotes, weather, personalized address books, calendar and location-specific content such as restaurants and theatres. It will offer a flexible platform for government and businesses to provide targeted information and product services to consumers. “TOM Voice” is our first step undertaken to explore the potential of voice-driven advertising.

We also introduced “TOM-Q”, an application incorporating instant messaging technology. It enables users to chat online through voice and text. Other online media initiatives pursued during the quarter include “TOM WAP”, providing information through WAP enabled mobile phones, and “My TOM”, a Chinese language personalization service enhanced through the use of proprietary artificial intelligence technologies.

As at the end of October 2000, the combined page views of Tom, 163.net and shawei.com reached 26 million (Tom: 13 million; 163.net and shawei.com: 13 million), representing a five-fold increase for our Group from the prior period. After combining approximately 6 million regular e-mail subscribers of 163.net, registered users of Tom will be 7 million, almost 26 times higher than at the end of the second quarter.

The Olympics presented us with an excellent opportunity to display our capabilities within the Chinese media space. In conjunction with Shawei and YC Companies, Tom delivered China’s first ever multi-media coverage of the Olympics, including both online and offline broadcasts, print coverage, live interviews and online chats. On a side note, our 5 Tom-sponsored athletes, who actively participated in our broadcasts, interviews and online forums, collected a number of medals including 4 gold medals. We are very proud of their achievements.



Sport is the first area in which we have developed our strategy of media convergence. Our coverage of the Olympics demonstrated that Tom is now established as a leader in sports media in the Mainland. This leadership position gave Tom an unprecedented reach among viewers, and enabled us to capture significant revenue streams across our sports platform. The combined revenue of Tom, Shawei and YC Companies in respect of the Olympics amounted to HK\$21 million. New clients obtained through the Olympics effort included Ericsson, Siemens, Coca-Cola, Sony and Compaq.

Apart from sports content, Tom is developing distinctiveness in other key vertical content categories. Through our interest in Shanghai Maya Online Broadband Network Company Limited, Tom offers a comprehensive, real-time general news service. In fact, our news channel was one of the most visited sites on the mainland during the Russian submarine incident as our content development team provided 24/7 the latest breaking and most comprehensive coverage of this event. In addition, our Pop Tech vertical strengthened considerably during the quarter through the signing of strategic partnerships with business partners to build an online community for products and information of Samsung, Macromedia and Adobe. Moving forward, Tom will continue to develop key content verticals and will work to establish a leading position in both the online and offline value chain for the most popular content categories.

## **Future Developments**

As we move forward, we expect the various Internet and media markets that we compete in to continue to be highly dynamic and subject to substantial restructuring. In light of these challenges however, our top priority will remain the same: to provide substantial returns to our shareholders. We have a range of initiatives in our business plan that we believe will position our company as a leader in its industry, and I would like to outline the most significant ones to you.

Tom will continue to pursue its cross-media strategy by exploring investment and acquisition opportunities across a range of popular content categories, replicating the successes we have experienced with YC Companies and Shawei in the sports category. The cornerstone of our approach will be to derive stable revenues from our offline properties while positioning the company to take advantage of high growth revenue opportunities from our online Internet media businesses.

Along with our cross-media initiatives, we plan to continue to integrate our product and content development and utilize the latest digital media technologies to produce rich, broadband-enabled content. As consumers become more discriminate in their media and Internet consumption and as bandwidth constraints ease, we see good revenue generating opportunities for our existing properties within the broadband arena and will accordingly continue to pursue initiatives to ensure our access to broadband users.

We plan to take advantage of the proliferation of distribution platforms, including WAP, 3G, cable broadband and digital terrestrial by initiating alliances, partnerships and investment programs to ensure that our brands reach our users in an effective manner and that we are able to generate substantial, high growth revenue streams.

We plan to continue efforts to rationalize our operations and integrate acquired business. Although we will be faced with the prospect of making difficult decisions, including rationalization of existing resources, our priorities will be to make the appropriate reductions in expenses while taking care to provide opportunities to our existing employees.

We are also looking forward to the specific challenge of capitalizing upon our much-expanded combined customer base (over 500 active advertisers), online/offline advertising platform, and integrated sales and marketing functions. We believe these will effectively position Tom to generate substantially more revenues than competitors pursuing single platform, "traditional media shy" strategies.

Finally, we look forward to continuing to provide our employees with exciting career opportunities in an industry leading work environment where initiative and hard work will offer success and rewards in which all the members of our team will share. As a team, we will develop Tom into the undisputed Internet leader in Greater China which we all believe it can be.

**Frank Sixt**

*Chairman*

Hong Kong, 8 November 2000

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and nine months ended 30 September 2000

	Notes	Three months		Nine months	
		ended 30 September		ended 30 September	
		2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		<u>13,221</u>	<u>1,002</u>	<u>19,238</u>	<u>2,280</u>
Cost of sales		8,344	49	12,257	132
Interest income		(10,651)	(68)	(64,760)	(281)
Website development expenses		44,814	–	117,172	–
Advertising and promotion expenses		31,093	108	105,238	213
Depreciation and amortisation		13,979	1,491	39,516	4,674
General and administrative expenses		<u>51,908</u>	<u>2,644</u>	<u>133,992</u>	<u>7,740</u>
Operating loss		126,266	3,222	324,177	10,198
Provision for restructuring costs		31,439	–	31,439	–
Share of losses of associates		11	–	5,018	–
Share of losses of jointly controlled entities		<u>6,142</u>	<u>–</u>	<u>7,460</u>	<u>–</u>
Loss before taxation		163,858	3,222	368,094	10,198
Taxation credit	2	<u>–</u>	<u>–</u>	<u>–</u>	<u>4</u>
Loss after taxation		163,858	3,222	368,094	10,194
Minority interests		<u>–</u>	<u>–</u>	<u>10,345</u>	<u>–</u>
Loss attributable to shareholders		<u>163,858</u>	<u>3,222</u>	<u>357,749</u>	<u>10,194</u>
Loss per share	3	<u>5.55 cents</u>	<u>0.14 cents</u>	<u>12.72 cents</u>	<u>0.44 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) Provision for restructuring costs**

This represent costs incurred and to be incurred in connection with the realignment of resources exercise for our Hong Kong portal operations.

**(3) 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.

**(4) Loss per share**

The calculation of the basic loss per share for the three months and nine months ended 30 September 2000 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$163,858,000 and HK\$357,749,000 (1999: HK\$3,222,000 and HK\$10,194,000) and the weighted average number of 2,953,626,551 and 2,811,822,474 (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 nine months ended 30 September 2000.

**(5) Interim dividend**

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

**(6) Movement of reserve**

Under the Companies Law (Revised) of the Cayman Islands and the articles of association of Tom, goodwill arising on acquisitions totalling HK\$220,882,000 and HK\$258,659,000 were taken to the share premium account for the three months and nine months ended 30 September 2000 respectively (1999: Nil).

## **DIRECTORS' INTERESTS IN SHARES**

As at 30 September 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:

<b>Name of Director</b>	<b>Number of shares of Tom</b>				<b>Total</b>
	<b>Personal Interest</b>	<b>Family Interest</b>	<b>Corporate Interest</b>	<b>Other Interest</b>	
Guy Look	40,000	–	–	–	40,000

Save as disclosed above, none of the Directors or their associates had, as at 30 September 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 (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. Guy Look was granted option to subscribe for 9,080,000 shares of Tom at a subscription price of HK\$1.78 per share exercisable during the period from 11 February 2000 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 a subscription price of HK\$8.78 per share exercisable during the period from 8 April 2000 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 a subscription price of HK\$5.27 per share exercisable during the period from 30 June 2000 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). In addition, pursuant to the Employee Share Option Scheme, Mr. Sing Wang was granted option on 8 August 2000 to subscribe for 15,270,000 shares of Tom at a subscription price of HK\$5.30 per share exercisable during the period from 8 August 2000 to 7 August 2010 (both dates inclusive) (1st tranche of 20% from 1 September 2000, 2nd tranche of 30% from 8 August 2001 and the remaining tranche of 50% from 8 August 2002).

Pursuant to the Employee Share Option Scheme, Ms. Michelle Leung was granted option on 31 May 2000 to subscribe for 7,000,000 shares of Tom at a subscription price of HK\$4.685 per share exercisable during the period from 31 May 2000 to 30 May 2010 (both dates inclusive) (1st tranche of 33% from 31 May 2001, 2nd tranche of 33% from 31 May 2002 and the remaining tranche of 34% from 31 May 2003). In addition, pursuant to the Employee Share Option Scheme, Ms. Michelle Leung was granted option on 8 August 2000 to subscribe for 5,000,000 shares of Tom at a subscription price of HK\$5.30 per share exercisable during the period from 8 August 2000 to 7 August 2010 (both dates inclusive) (1st tranche of 20% from 1 September 2000, 2nd tranche of 30% from 8 August 2001 and the remaining tranche of 50% from 8 August 2002).

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

## OUTSTANDING SHARE OPTIONS

As at 30 September 2000, options to subscribe for an aggregate of 201,270,000 shares of Tom granted pursuant to the Pre-IPO Share Option Plan and the Employee Share Option Scheme were outstanding. Details of which are as follows:

### (1) Pre-IPO Share Option Plan

Options to subscribe for an aggregate of 54,480,000 shares of Tom were outstanding, of which Mr. Guy Look was granted an option to subscribe for 9,080,000 shares of Tom and the balance of 45,400,000 share options were granted to seven employees at the date of grant at a subscription 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 146,790,000 shares of Tom (which includes the options granted to Mr. Sing Wang, Ms. Michelle Leung and Mr. James Sha as disclosed above) were outstanding as at 30 September 2000, breakdown of which are set out below:

No. of share options	No. of employees	Subscription price per share HK\$	Option period* (Commencing from date of grant and terminating ten years thereafter)
10,548,000	190	11.30	23rd March, 2000 to 22nd March, 2010
15,000,000	1	8.78	8th April, 2000 to 7th April, 2010
7,000,000	1	4.685	31st May, 2000 to 30th May, 2010
9,470,000	190	5.89	26th June, 2000 to 25th June, 2010
15,000,000	1	5.27	30th June, 2000 to 29th June, 2010
89,772,000	388	5.30	8th August, 2000 to 7th August, 2010

\* *Note:* The options may be exercised at any time within the option period provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period.



## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	1,392,000,000 <i>(Notes 1 &amp; 2)</i>
Li Ka-Shing Unity Holdings Limited	1,392,000,000 <i>(Notes 1 &amp; 2)</i>
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	1,392,000,000 <i>(Notes 1 &amp; 2)</i>
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	1,392,000,000 <i>(Notes 1 &amp; 2)</i>
Cheung Kong (Holdings) Limited	1,392,000,000 <i>(Notes 1 &amp; 2)</i>
Cheung Kong Investment Company Limited	464,000,000 <i>(Note 1)</i>
Cheung Kong Holdings (China) Limited	464,000,000 <i>(Note 1)</i>
Sunnylink Enterprises Limited	464,000,000 <i>(Note 1)</i>
Romefield Limited	464,000,000 <i>(Note 1)</i>
Hutchison Whampoa Limited	928,000,000 <i>(Note 2)</i>
Hutchison International Limited	928,000,000 <i>(Note 2)</i>
Easterhouse Limited	928,000,000 <i>(Note 2)</i>
Chau Hoi Shuen	928,000,000 <i>(Note 3)</i>
Cranwood Company Limited	928,000,000 <i>(Note 3)</i>
Schumann International Limited	580,000,000 <i>(Note 3)</i>
Handel International Limited	348,000,000 <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 464,000,000 shares of Tom 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 928,000,000 shares of Tom 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 464,000,000 shares and 928,000,000 shares of Tom 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 580,000,000 shares and 348,000,000 shares of Tom 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.

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.

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 e-mail 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. 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 Paribas Peregrine Capital Limited (the Sponsor), as at 30 September 2000, an associated company and one employee of the Sponsor held 1,000 shares and 10,000 shares of 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 3 times since its formation.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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