TOM

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TOM.COM LIMITED incorporated in the Cayman Islands with limited liability

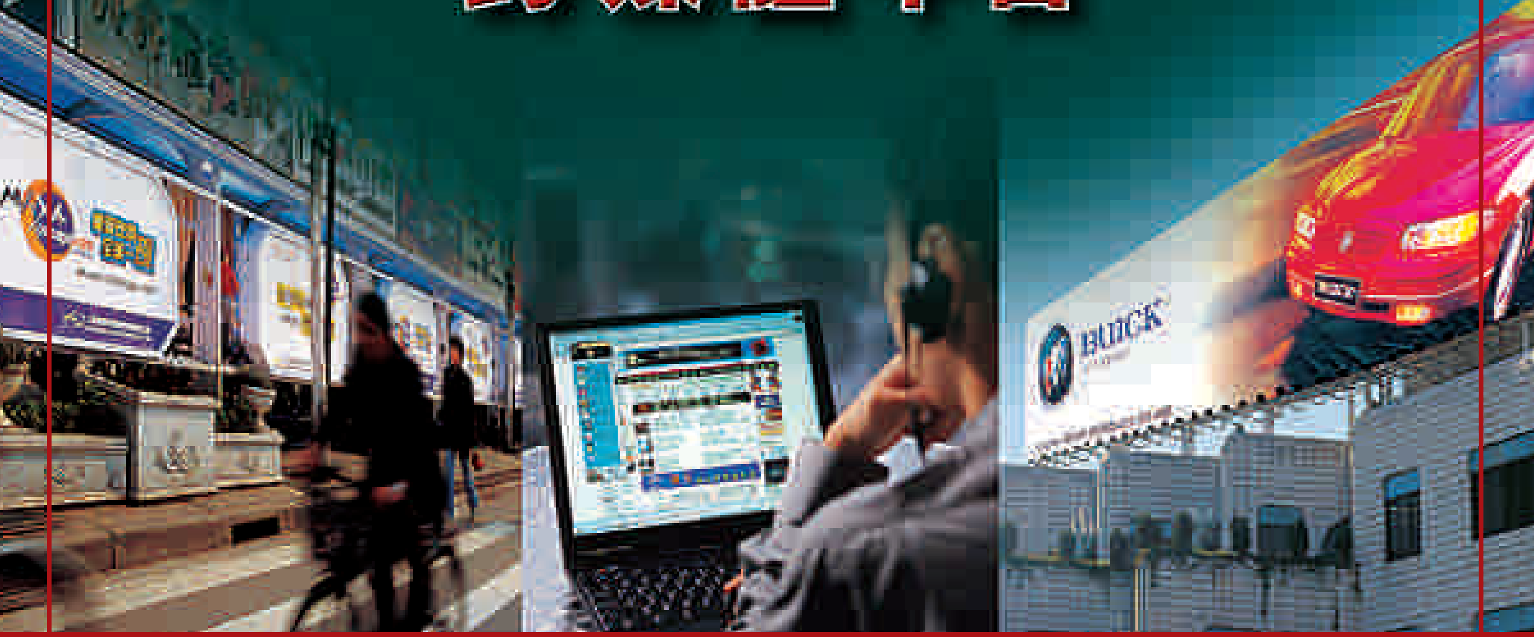
ANNUAL REPORT 2000

TOM.COM LIMITED 在開曼群島註冊成立之有限公司

二〇〇〇年 年報

THE CROSS MEDIA PLATFORM

跨媒體平台



MAINLAND CHINA..............................CN TOM
BEIJING..................................SHAWEI.COM
GUANGZHOU........................YC COMPANIES

GUANGZHOU.................................163.NET
HONG KONG.....................................HK TOM
HONG KONG..................................亞洲週刊

KUNMING...............................FENCH STAR
SHANGHAI..............SHANGHAI MAYA ONLINE
SHANGHAI..........SHANGHAI MAYA CULTURAL

tom

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

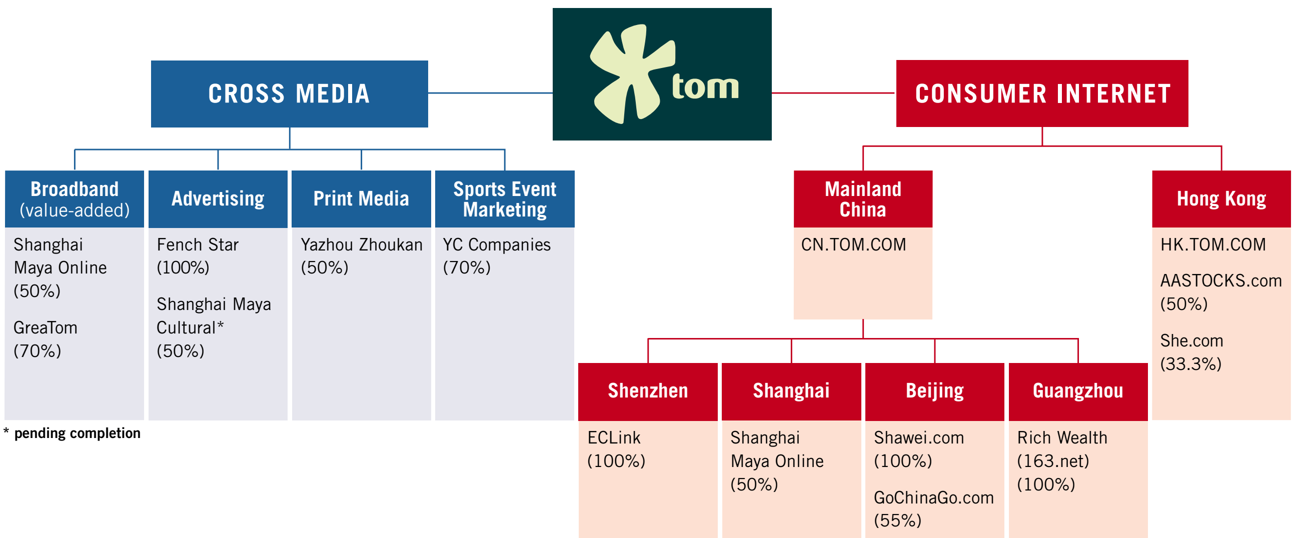
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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.

COVER PHOTOS: *(bottom from left)* Bicycle shelter advertising lightboxes of Shanghai Maya Cultural, Tom's Mainland portal platform, Fench Star's outdoor billboard and *(top left)* YC Companies' sports event

Shanghai, Mainland China

TOM.COM LIMITED



* pending completion

TOM.COM LIMITED ("Tom" or "Company") was founded in October 1999. Tom is a joint venture formed between Hutchison Whampoa Ltd., Cheung Kong (Holdings) Ltd. and other strategic investors.

The Company was listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong in March 2000 (stock code: 8001). Tom's head office is in Hong Kong, with regional offices in Beijing, Shanghai, Guangzhou and Kunming.

The Company's flagship operation is its Mainland China and Hong Kong portals, hosted under TOM.COM. Throughout the year, the Company took key steps towards fulfilling an integrated cross media strategy. Tom's business has expanded through acquisitions and organic growth, building a portfolio of online and offline assets in Mainland China. In addition to the flagship portals, the Company's business now includes broadband content and service provision, Shanghai Maya Online Broadband Network Company Ltd. ("Shanghai Maya Online"); sports related content, event management and advertising, Shawei.com, and Y.C. Press Advertising Ltd., 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 "YC Companies"); free web-based e-mail service provision, 163.net; outdoor media advertising, Kunming Fench Star Information Industry Ltd. ("Fench Star") and Shanghai Maya Cultural Transmission Company Ltd. ("Shanghai Maya Cultural"); and magazine publishing business ("Yazhou Zhoukan").

Corporate Information

BOARD OF DIRECTORS

Chairman
Frank John Sixt

Executive Directors
Sing Wang
Guy Look
Leung Quan Yue, Michelle

Non-Executive Directors
Chow Woo Mo Fong, Susan
Chang Pui Vee, Debbie
Ip Tak Chuen, Edmond
Feng Qi
Holger Kluge
James Sha

Independent Non-Executive Directors
Cheong Ying Chew, Henry
Lee Pui Ling, Angelina

COMPANY SECRETARY
Mak Soek Fun, Angela

QUALIFIED ACCOUNTANT
Guy Look

COMPLIANCE OFFICER
Guy Look

AUDIT COMMITTEE
Lee Pui Ling, Angelina *(Committee Chairman)*
Cheong Ying Chew, Henry
Guy Look

AUTHORISED REPRESENTATIVES
Guy Look
Mak Soek Fun, Angela

SPONSOR
BNP Paribas Peregrine Capital Limited

AUDITORS
PricewaterhouseCoopers

REGISTERED OFFICE
P.O. Box 309
Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
48th Floor, The Center
99 Queen's Road Central
Central
Hong Kong
Telephone. (852) 2121 7838
Facsimile. (852) 2186 7711

SHARE REGISTRARS
Central Registration Hong Kong Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

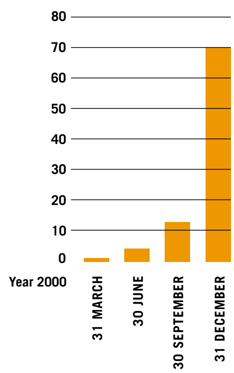
PRINCIPAL BANKERS
The Hongkong and Shanghai
Banking Corporation Limited
The Chase Manhattan Bank, N A
BNP Paribas

WEBSITE ADDRESS
WWW.TOM.COM

STOCK CODE
8001

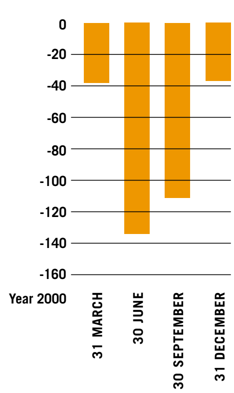
Financial Highlights

Turnover
(HK$ million)



Three months ended

Operating loss before depreciation and amortisation and restructuring costs
(HK$ million)



Three months ended

For the three months ended

	31 Dec 2000 HK$'000	30 Sep 2000 HK$'000	30 Jun 2000 HK$'000	31 Mar 2000 HK$'000
Turnover	**69,985**	13,221	5,279	738
Direct expenses	**43,877**	8,344	3,853	60
Interest income	**(15,874)**	(10,651)	(14,293)	(39,816)
Website development	**28,092**	44,814	47,664	24,694
Advertising & promotion	**15,397**	31,093	45,782	28,363
General & administration	**35,458**	51,908	56,844	25,240
Operating loss before depreciation and amortisation and restructuring costs	**36,965**	112,287	134,571	37,803

Financial summary

	Year ended 31 December	
	2000 HK$'000	1999 HK$'000
Results		
Loss attributable to shareholders	**436,074**	53,060
Assets and liabilities		
Total assets	**1,613,766**	365,335
Total liabilities	**826,709**	389,050
Shareholders' funds / (Capital deficit)	**787,057**	(23,715)

2000 Business Highlights

THE FIRST QUARTER

January to March

- The first Internet company to list on Hong Kong's GEM in March, raising proceeds of HK$876 million.

THE SECOND QUARTER

April to June

- Launched Tom's Hong Kong portal.

- Launched Tom's Mainland portal.

- Acquisition of a 50% interest in Shanghai Maya Online, one of the largest broadband content providers in Mainland China.

THE THIRD QUARTER

July to September

- Established an investment holding company licensed with the right to invest in telecommunications, electronics, computer and information systems in Mainland China.

- Raised an additional HK$478 million.
- Acquisition of the entire equity interest in Shawei.com, Mainland China's leading sports portal.
- Acquisition of a 70% stake in Mainland China's leading sports marketing and management group—YC Companies.

- Invested in China's largest free e-mail service with effective control of 163.net through an agreement with Freenet Information Technology Co. Ltd.

THE FOURTH QUARTER

October to December

- Acquisition of the entire economic interest in Fench Star, one of the largest outdoor media and advertising companies in Mainland China.
- Signed an agreement to acquire 50% economic interest and benefit of Shanghai Maya Cultural.

- Entered into a joint venture agreement to set up GreaTom for the provision of broadband Internet value-added services. Tom has a 70% interest in GreaTom.
- Signed a Memorandum of Understanding to acquire 50% interest in Yazhou Zhoukan, a Chinese current event weekly magazine publishing business.

"Tom's strong financial profile and highly competitive cost of capital have enabled it to grow rapidly in its first year, despite the difficult environment in its sectors."

Frank John Sixt

Chairman, TOM.COM LIMITED
Group Finance Director, Hutchison Whampoa Ltd.

Chairman's Statement

Tom was the first Internet company to list on Hong Kong's newly established GEM in March 2000. Our initial public offering ("IPO") was one of the most successful in the Company's sector, as well as on the GEM, raising proceeds of HK$876 million. Despite a seriously deteriorating environment for technology and media-related issuers globally throughout the year, particularly in the second half of the year, the Company has maintained its access to equity markets and a highly competitive cost of equity capital. In September 2000, the Company raised an additional HK$478 million. At year-end, Tom and its subsidiaries ("TOM") had liquid assets of just under HK$1 billion.

Tom's strong financial profile and highly competitive cost of capital have enabled it to grow rapidly in its first year, despite the difficult environment in its sectors. Through development and acquisition, it had already established itself as a leading competitor in Greater China online media operations by the third quarter. In the third and fourth quarters, the Company launched and successfully executed key steps in a cross media strategy. This has enabled it to participate in attractive and profitable media-asset operations in Greater China, to enhance its online content offerings, and to consolidate advertising and related sales and distribution resources across Greater China to the shared benefit of its online and offline businesses. This strategy, together with a conservative and disciplined approach to the overall cost structure, has positioned Tom well for continued growth in 2001.

Financial Highlights

Total revenue for the financial year ended 31 December 2000 amounted to HK$89 million, an increase of 26.5 times over the pro-forma 1999 revenue. Revenues from online media-related and offline media were HK$55 million and HK$34 million (61% and 39% of the total) respectively for the year. Fourth quarter revenue was HK$70 million versus first quarter revenue of HK$0.7 million, representing a 94-fold increase and demonstrating solid early returns from the cross media strategy.

Through disciplined cost management, operating expenses for online operations have been substantially reduced since mid-year. By year-end December 2000, TOM's monthly online operating expense base was HK$29.4 million, a highly competitive cost structure compared to its competitors.

Operating loss for the year ended 31 December 2000 was approximately HK$383 million, largely due to start-up investment costs incurred in the first half of the year. The full year operating loss is lower than that was widely anticipated. Start-up investment costs were primarily incurred to build the Tom brand and key technology platforms.

A total of HK$876 million was raised from the IPO in March, and a share top-up placement and subscription exercise in September raised an additional HK$478 million. At the year-end, TOM's cash position was just under HK$1 billion.

Outlook

I look forward with confidence to 2001, based on the solid foundation laid by Tom in 2000. In a continuing difficult environment for technology and media-related issuers, Tom's financial profile, strict cost discipline and solid recurrent revenue base leave it well positioned against comparatively weak competitors. It is our objective that Tom should continue to capitalise on this advantage and seek out further growth opportunities in 2001. Indeed, I believe Tom's future is particularly bright given its focus on the Greater China market and the current healthy growth and prospects for that market, particularly in anticipation of Mainland China's accession to the World Trade Organisation later this year.

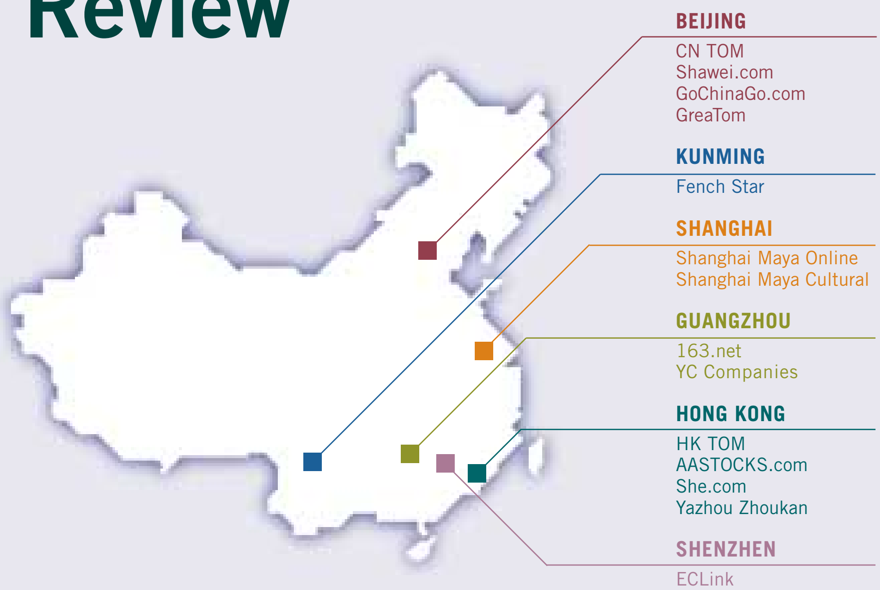
Finally, I would like to thank my fellow directors, our executives, management and all of our employees for their excellent support and hard work throughout 2000. I am fully confident that Tom's team will be a winning one in 2001.

Frank John Sixt

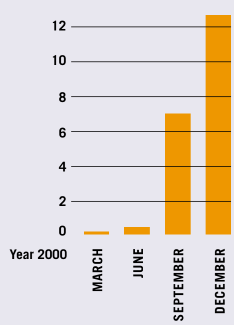
Hong Kong, 19 March, 2001

(from left)
Michelle Leung, Chief Operating Officer, Sing Wang, Chief Executive Officer and Guy Look, Chief Financial Officer

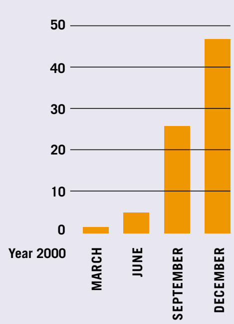
Operations Review



Online registered users
(million users)



Aggregated pageviews
(million / day)



Tom's business operations expanded in respect of both the consumer Internet and cross media businesses in the first year of the Company's listed history. The Company is positioned to become a leader in the Internet, media and advertising industries in Greater China.

In the first half of the year, the Company focused on building a consumer Internet platform. Following the launch of the Tom portal in Hong Kong and Mainland China in mid-year, Tom acquired 163.net and Shawei.com—the largest free web-based e-mail service provider and the leading sports portal in Mainland China. After integration of these assets, Tom's portal emerged as a leader in Greater China. Daily pageviews were 47 million with the major sites audited and registered users reached 12.5 million as of December 2000. Fourth quarter online media-related revenue was HK$36 million.

In the second half of the year, the Company laid the foundations of its cross media platform by acquiring three media companies in Mainland China—YC Companies, a sports advertising and event management group operating throughout Mainland China; Fench Star, an outdoor media advertising company based in Western China; and Shanghai Maya Cultural, an outdoor media company based in Shanghai. Sales integration began at year-end to enable the companies to cross sell their online and offline products and leverage each other's key strategic accounts.

The directors are of the view that the cross media businesses acquired in the second half of the year complement the existing core consumer Internet business of the Company. Therefore, the general character or nature of the Company's businesses remain intact.

CONSUMER INTERNET

CN TOM

Leading Mainland Chinese portal

CN TOM's team with General Manager Wang Lei Lei *(second from right)*

In July 2000, Tom's Mainland China portal, CN TOM, was launched with 12 vertical portals including news, history, literature, games, pop-tech, entertainment, science, finance, military, fashion, city life and sports. Depth and breadth of content is one of CN TOM's strengths, with pop-tech, literature and games showing particularly strong user response. By the end of year, CN TOM offered 18 content channels adding careers, campus life, language, travel, police affairs and property. A key feature of the site is the Autonomy artificial intelligence engine. Based on the users' profile, Autonomy is able to search the web for content, and offer related links and pages.

CN TOM has a strong technology research and development team that has produced a wide range of applications and technologies. The portal's functionality and applications give it a strong competitive edge. During the year, CN TOM launched TOM-Q Personal Edition, which enables users to chat online through voice and text. A second Enterprise Edition will add features such as video and Internet telephony alongside the existing audio. MyTOM, powered by natural language technology, is a virtual community where users can personalise content. TOM WIRELESS, a wireless-enabled platform, provides content and applications via WAP or short message service. Also, in the fourth quarter, CN TOM launched Tom's English language portal to reach the non-Chinese speaking audience.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Tom's staff in Mainland China

CN TOM expanded the distribution of its content onto different platforms. TOM VOICE, China's first voice portal, was launched in the third quarter. TOM VOICE gives users access to Internet content via the telephone. Combining a back-end voice recognition engine with a front-end voice activated interface, users can access content and services such as stock quotes, airline schedules, hotel reservations, taxis, restaurant bookings, world news, movie screenings, weather and world time. TOM VOICE also allows users voice access to personalised services such as e-mail and web-based contacts and calendar information. Shortly after its launch, TOM VOICE achieved a daily usage of over 6,000 minutes. By December 2000, CN TOM's daily pageviews numbered 22 million, with registered users reaching 1 million.

HK TOM

Interactive multimedia platform

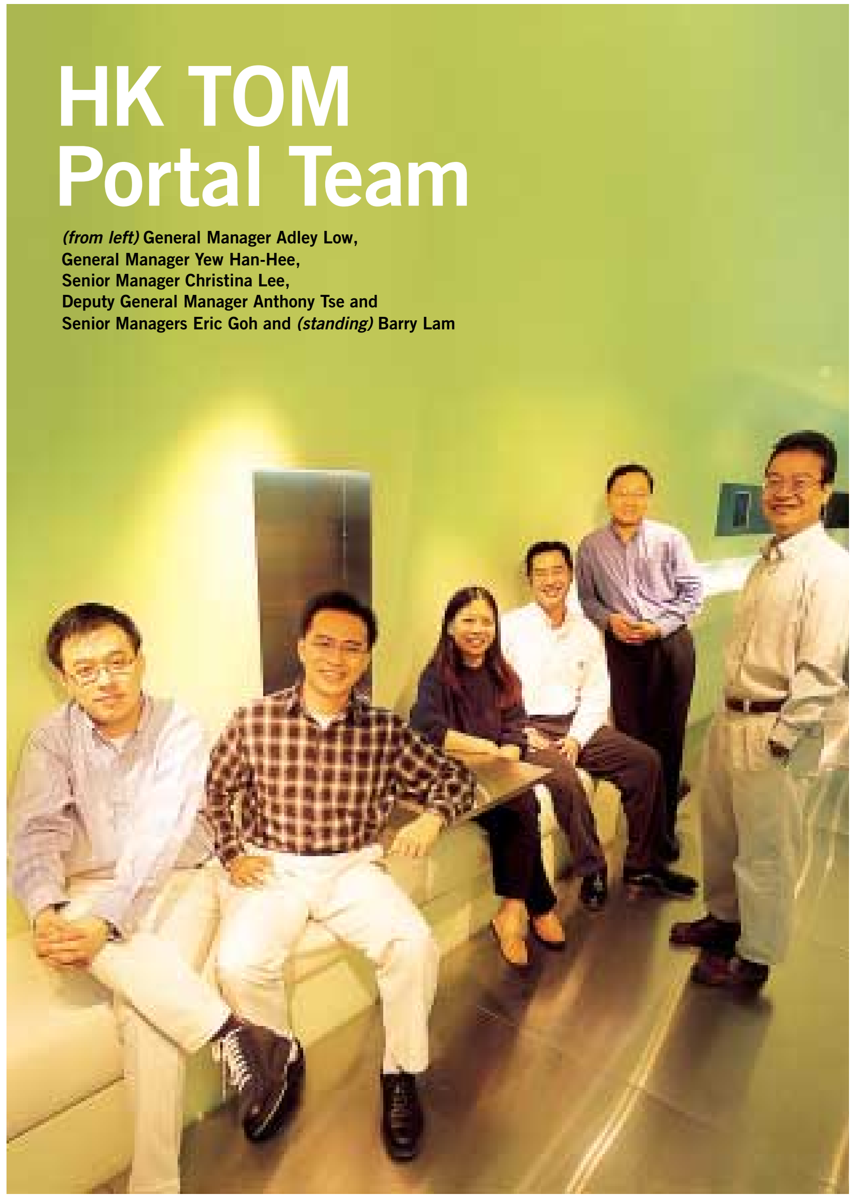
Tom's Hong Kong portal, HK TOM, was launched in June 2000 with channels covering news, finance, games, pop-tech, movies, music, travel and lifestyle. The pop-tech and entertainment channels have the highest traffic. The China Vision channel is unique amongst competitors in Hong Kong. It offers content and web-based multimedia documentaries on topical themes and issues related to China.

HK TOM has a loyalty programme that offers reward points, or TOM DOLLAR, depending on users' activities. The programme comprises a network of more than 200 merchants.

HK TOM's multimedia editing suite

HK TOM Portal Team

(from left) **General Manager Adley Low, General Manager Yew Han-Hee, Senior Manager Christina Lee, Deputy General Manager Anthony Tse and Senior Managers Eric Goh and** ***(standing)*** **Barry Lam**



Other highlights on HK TOM include customised e-cards, interactive news desks, multimedia chatrooms and live celebrity chats.

TOM'S SHOP, an E-commerce platform, offers a range of Tom-branded and non Tom-branded products. Tom's Online Payment solution, TOP, is an exclusive service accessed via TOM'S SHOP. It allows Orange mobile phone subscribers to conduct payment through an SMS-based authentication process. Transactions conducted via TOP are invoiced on the subscriber's mobile phone statement, offering a convenient alternative to credit card payment. TOM.KID, exclusively on sale in TOM'S SHOP, is the action figure collection created by Michael Lau. The collection quickly became one of the most sought after amongst action figure fans. This product proved the effectiveness of running limited-edition promotional E-commerce campaigns, and HK TOM will continue to develop such unique product offerings in the future.

HK TOM delivers unique multi-media online and offline content offerings, such as online webcasts and chat-shows with entertainment and sports celebrities, including Ruby Lin, Sophie Marceau, Liu Xuan, Fu Ming Xia and other members of the China National Olympic Team. Other activities include technology training seminars, such as events run with Macromedia on its Flash, Dreamweaver and Freehand products; movie and concert sponsorships including "Crouching Tiger, Hidden Dragon" and Leslie Cheung's Passion Tour. Daily pageviews numbered 1.2 million as at 31 December 2000, with registered users reaching 140,000.

Interactive live chat with Olympic star, Fu Ming Xia

163.net

Mainland China's largest free e-mail service provider

Tom gained effective control of 163.net through an agreement with Freenet Information Technology Co. Ltd., in September 2000. The consideration was HK$374.4 million.

163.net, founded in 1998, is one of the pioneers in the Mainland China Internet world. It was the first company to offer free web-based e-mail. Its development has followed the growth in the Chinese Internet population. As the "Hotmail of China", its brand is synonymous with the Internet experience in Mainland China. 163.net is now the largest free e-mail service provider in

Mainland China. It ranked sixth amongst Mainland portals, according to the China Internet Network Information Center ("CNNIC") survey of December 2000, which ranks Internet portals according to user traffic. 163.net's assets include one of the largest databases of Chinese users. Daily pageviews numbered 16 million as at 31 December 2000, with registered users reaching 11 million.

163.net will be introducing a subscription-based e-mail service with additional features such as enhanced mailbox capacity, fax-to-e-mail transfer and e-mail service via voice. To date, it has built a strong presence in the major cities such as Shanghai, Beijing and Guangzhou where the bulk of existing users are located. 163.net is now proceeding to penetrate the second level of Mainland China's urban areas, including cities such as Chengdu and Wuhan, where the largest growth in Internet users is anticipated over the next few years.

Shanghai Maya Online

Broadband content provider

The Shanghai Maya Online management team with General Manager David Wang *(middle)*; *(upper right from left)* Mr Li Ka-shing, Shanghai Maya Online Vice General Manager Jane Guan and General Manager David Wang

In July 2000, Tom concluded an agreement to acquire 50% of Shanghai Maya Online for a consideration of approximately HK$218.5 million. Shanghai Maya Online is one of China's largest broadband content providers. It also operates a narrowband business covering eight portals with aggregate daily pageviews reaching approximately 1,000,000 as at 31 December. Total registered users numbered 100,000.

The news portal, cnnews.com, provides around 1,000 daily news feeds and is one of the most comprehensive real-time general news services amongst Mainland China's larger online news media. Shanghai Maya Online's city guide site, cncities.com, is the leading provider of electronic destination guides. The police information site, china110.com, is a key source of information on the police and security matters.

Shanghai Maya Online has more than 20,000 hours of broadband content. In October 2000, Shanghai Maya Online broadcast its first batch of Video-on-Demand ("VOD") programmes via the Shanghai Telecom broadband network. This was simultaneously made available through Shanghai Maya Online portals. The company is building a series of broadband channels to cover a range of subjects including international news, global military, police information, China travel, China entertainment, modern living, nation and religion. Shanghai Maya Online will aim to secure distribution channels through partnerships with different broadband networks, large residential communities and commercial organisations.

GreaTom

Broadband Internet value-added service provider

In December 2000, Tom entered into a joint venture agreement with Great Wall Computer Software & Systems Ltd. and Great Wall Technology Company Ltd. to set up GreaTom. Tom has a 70% interest in GreaTom. GreaTom will primarily be engaged in the provision of broadband Internet value-added services such as various broadband content aggregation, related system integration and software developement. Through cooperation with other content providers, aggregated broadband content and services provided include news, e-mail, online games, community information, online stock trading and financial services, VOD, online education and E-commerce.

Shawei.com

Leading sports portal

Shawei.com was launched in July 1999 as the first dedicated sports website in China. In September 2000, Tom entered into an agreement to purchase 100% of Sharkwave Asia Pacific Ltd., the owner of Shawei.com for a total consideration of approximately HK$116 million. Shawei.com is Mainland China's leading sports portal, and one of the most recognised online sports brand names. As of year-end, Shawei.com recorded daily pageviews of 1 million and achieved an average of 2 million pageviews during the Olympics. Registered users reached 112,400 in December 2000.

Shawei.com offers the best sports news service amongst Mainland China portals. Its features include contributions from some of the more prominent sports reporters on the Mainland. It also works closely with different sports media including *Sports Weekly, Soccer* and *China Sports Daily*. It has extensive coverage on the national and international soccer scenes. The site is also a pioneer in producing online multimedia sports content.

Shawei.com signed exclusive sponsorship contracts with seven Olympic athletes, including Xiong Ni, of the national diving team, Kong Ling Hui and Wang Nan of the national table-tennis team, and Ge Fei of the national badminton squad. These sports celebrities have allowed Shawei.com to create a strong online user community. The users can follow the lives of these athletes, with activities ranging from live chats to write-ups in their training diaries. The site has hosted the official Adidas website in China since the end of 2000 and is working with Volkswagen, Nokia and Coca-Cola on a range of sponsorship activities.

E-commerce Initiative—ECLink

ECLink Electronic Network Systems (Shenzhen) Co. Ltd. ("ECLink") provides electronic customs clearance services.

It has developed electronic data interchange ("EDI") customs declaration software for companies to issue their customs declarations directly to Shenzhen Customs. It now serves over 80 businesses including shipping companies, import/export companies, manufacturers with import/export licences and those operating in the tax-free zone in Shenzhen. The company will also explore the feasibility of introducing this EDI service to other major Chinese cities including Dalian and Tsingtao.

Integration of Consumer Internet Businesses

In the third and fourth quarters, Tom focused on integration of the newly acquired online businesses. The Company has successfully eliminated overlapping core functions amongst all the properties in the areas of content production, technology, finance and administration. This has reduced both headcount and operating costs. Online operations in Mainland China now have a total of approximately 350 staff.

The Hong Kong online business was also restructured. Cost cutting was targeted at content production, technology and bandwidth costs and the overall headcount was reduced. As a result, operating expenses have been lowered and a leaner cost structure is now in place. Total headcount for the online operations in Hong Kong is around 60.

The Company's sales function has been centralised through integration. All sales teams report centrally to Hong Kong, with commission and compensation structures unified across the Company. Each sales team is able to sell the Company's entire product portfolio to individual clients, thereby maximising the reach of individual properties. Regional sales offices have been set up in Beijing, Shanghai, Guangzhou and Hong Kong. Steps are being taken to set up satellite offices in second-tier markets.

Integration of content, functionality and technology platforms has enhanced performance of the unified platform. Particularly effective has been the integration of the large user base from 163.net with the content offerings and functionality on CN TOM. This combination has given the integrated portal a large increase in reach, pageviews and duration of each user visit. Further steps will be taken to dissect the user profiles of the 163.net database to target content and advertising to particular user profiles.

The integration process has enabled Tom to build a strong online platform under one brand with localised content stations in Beijing, Shanghai and Guangzhou. With this unified online platform, the Company will be able to maximise synergies across the different properties as well as with other offline assets.

CROSS MEDIA

YC Companies

Leading media agency and sports event marketer

YC Companies was established by Yang Cheng Evening Post of Guangdong. Tom acquired a majority 70% interest in YC Companies for a total of approximately HK$236.6 million in October 2000.

As an independent sports event organiser and a media and advertising agency, YC Companies has helped numerous local and foreign enterprises such as Mentholatum, Ericsson and Hilton Tobacco Company build their brands and establish their corporate image in China. The company also manages sponsorship and marketing of sports events for corporations such as Philips and Vinda. Products offered to clients include media placement, publicity, media representation, event promotional support and brand building. The company has developed long-standing relationships with key international and local clients such as Coca-Cola, British-American Tobacco and Truly International Holdings Ltd.

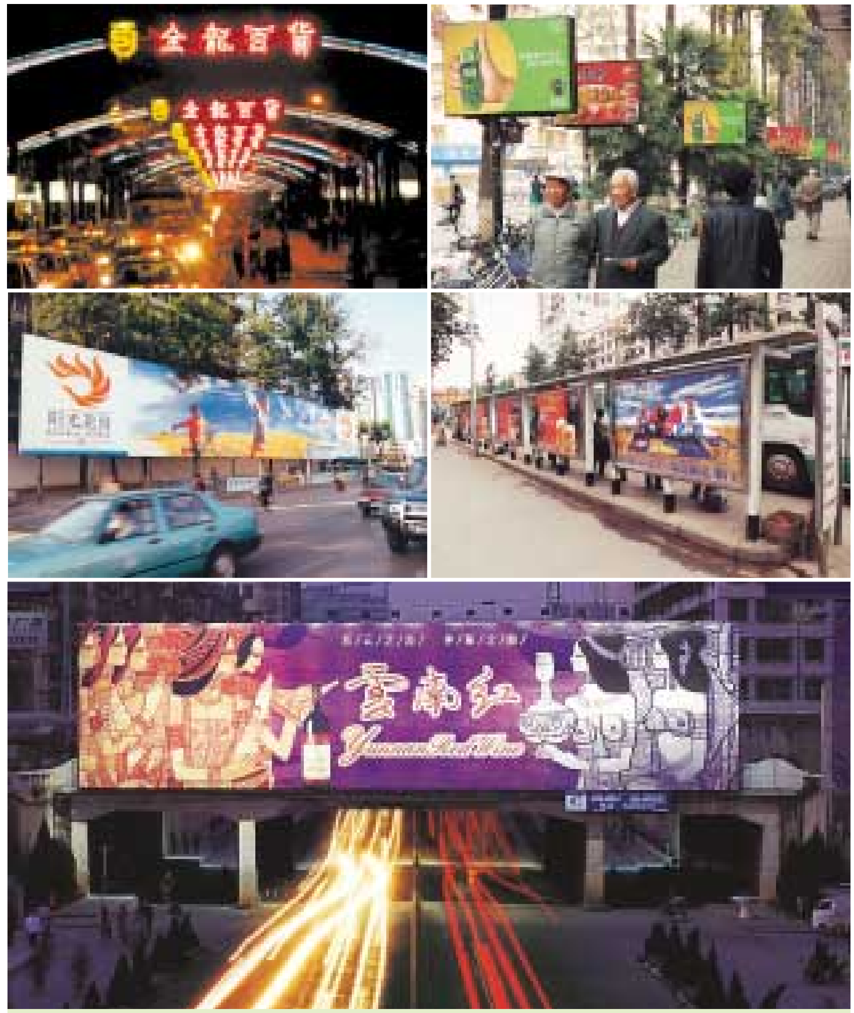
Major sports events in 2000 include the "Vinda National Volleyball League" "Philips China Football Association Cup" and "Philips College Football League". YC Companies also participated in the production of a number of sports TV programmes that are syndicated to television stations in China. "Sports Report", a popular sports programme on Beijing TV and 25 other TV stations in China, is jointly produced by YC Companies and three Mainland China TV stations. The programme boasts an average viewership of 50 million.

Activities organised by YC Companies *(first three panels from left)* and *(upper middle and first two panels from right)* images from "Sports Report"

Fench Star

Second largest outdoor advertising company in Mainland China

Fench Star's outdoor billboard

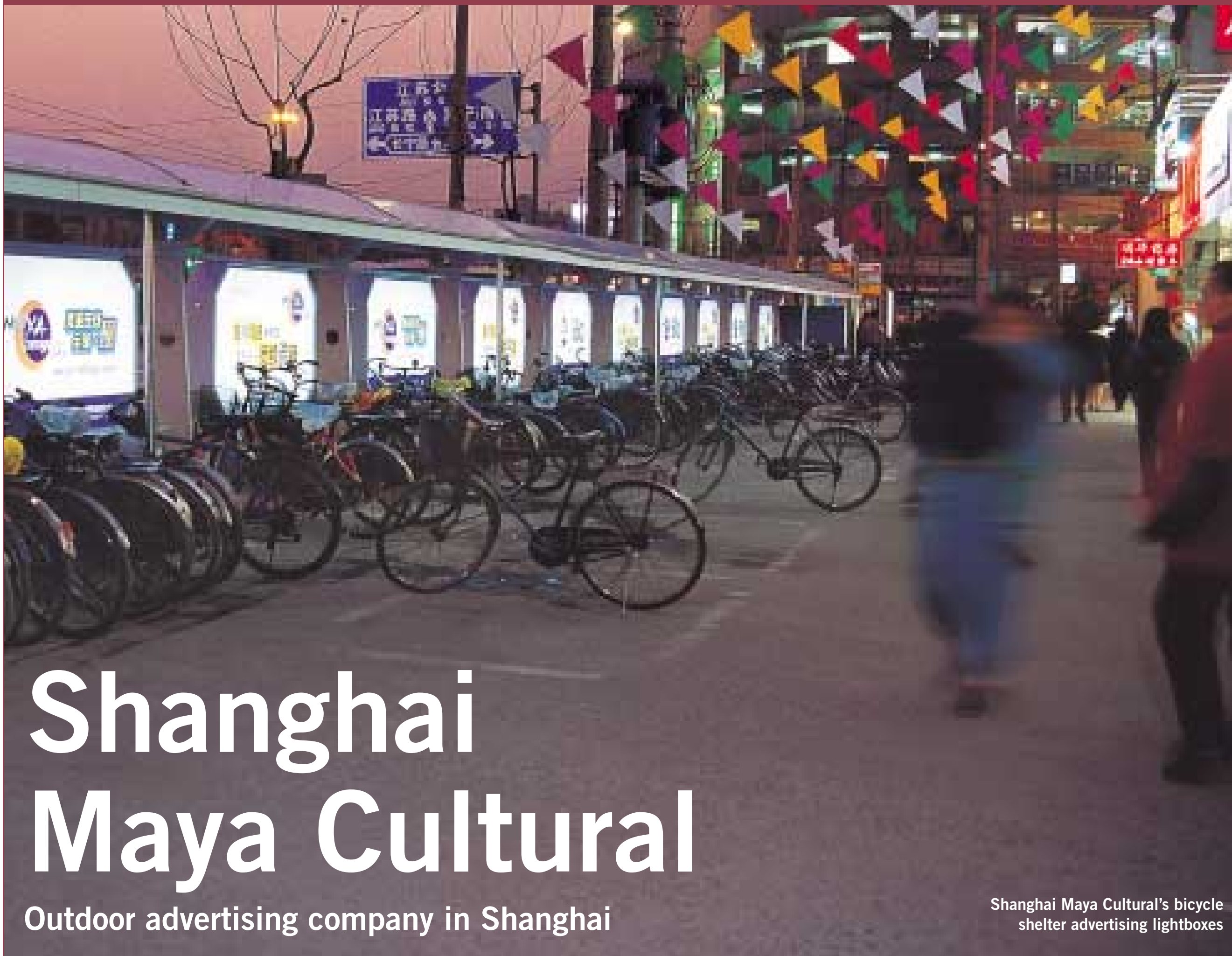


Fench Star's outdoor media assets: *(upper from left)* neon and pedestrian lightboxes; *(middle from left)* road side and bus shelter billboards; *(bottom)* crossover billboard

Fench Star was founded in 1992 by a team of media advertising professionals in Kunming, Yunnan province. In December 2000, Tom entered into an agreement to acquire 100% economic interest in Fench Star for approximately HK$294.8 million.

Fench Star is one of the largest outdoor media and advertising companies in Mainland China. It is particularly strong in the western region of the country. It owns 70% of the outdoor advertising space in Yunnan. From its head office in Kunming, Fench Star also offers nation-wide agency services from 19 major cities. Fench Star has over 300 customers who have been with the company for at least five years. These key clients range from local tobacco companies like Red Pagoda Tobacco Group to automobile clients such as General Motors, Shanghai SAIC-Volkswagen and international brands like Coca-Cola, Walmart and Toshiba.

The company will continue to dominate the outdoor advertising market in western China while further expanding its network of prime outdoor media assets in major cities, including Beijing, Shanghai, Guangzhou and Shenzhen. Building on this extensive portfolio of media assets, Fench Star will expand into more sophisticated outdoor product designs such as digital colour displays and rolling billboards.



Shanghai Maya Cultural

Outdoor advertising company in Shanghai

Shanghai Maya Cultural's bicycle shelter advertising lightboxes

"110" police reporting lightbox

Shanghai Maya Cultural is an outdoor advertising company established in 1999 in Shanghai by the Maya Group. In December 2000, Tom signed an agreement to acquire a 50% equity interest or 50% economic interest and benefit in Shanghai Maya Cultural for HK$171.37 million.

Shanghai Maya Cultural owns premium outdoor media assets in Shanghai, including 2,600 units of bicycle shelter advertising billboards in both residential and commercial districts, and over 1,200 units of "110" police reporting lightboxes. Total advertising space amounts to about 8,500 square metres. Apart from owning advertising inventory, Shanghai Maya Cultural also acts as an advertising agency for Shanghai Maya Audio Video Co. Ltd.'s chain of audio-visual stores, and other third party media assets.

The company plans to establish the largest outdoor media network in Shanghai and extend into other major cities, including Beijing, Dalian, Chengdu, Shenzhen and Jilin. Shanghai Maya Cultural will maximise its synergy with Tom's other media properties in particular Fench Star. These two companies will share their customer bases, management expertise, and will offer outdoor advertising packages across different cities in Mainland China.

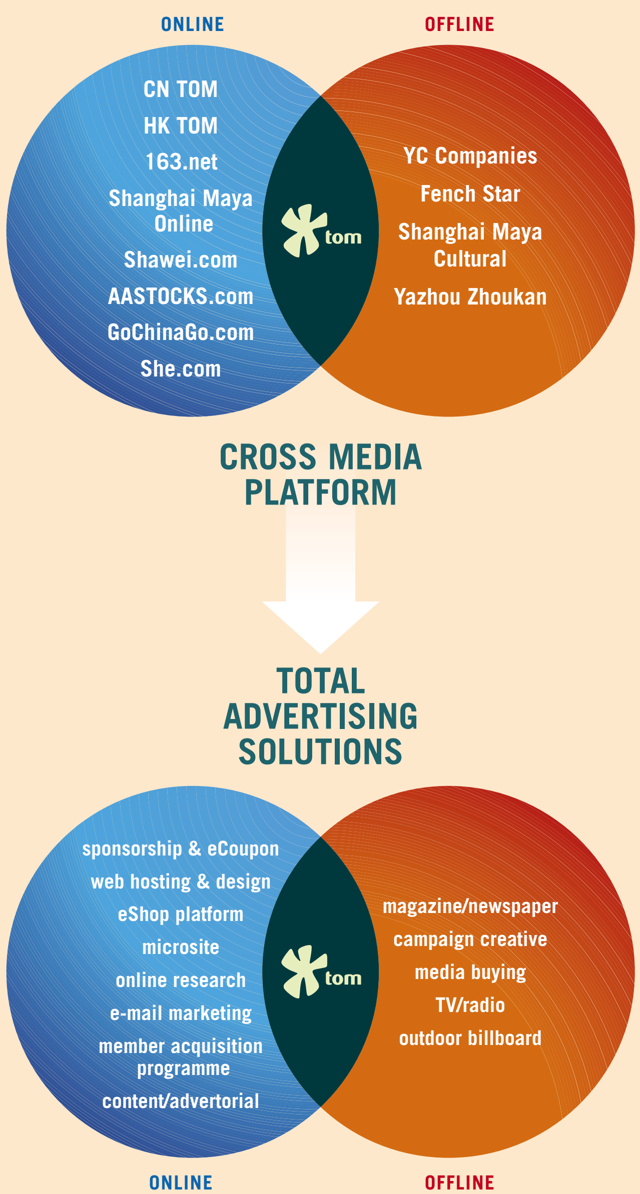
The transaction is pending completion. Details are as disclosed in the circular dated 15 January 2001 of the Company.

Tom's Cross Media Platform

Tom's cross media strategy has successfully positioned the Company as a leading provider of "total advertising solutions". The Company has adopted a key account strategy. It is building on the relationships established by the offline companies with international and national clients and further leveraging its product inventory across a wider platform.

Tom is able to bundle traditional and new media assets into different configurations of product packages according to client needs. This enables the Company to offer the package at a more competitive rate and hence secures a larger allocation of each client's budget. This strategy has resulted in an increase in client reach and advertising revenues across all of Tom's properties, and the Company is able to monetise the online inventory more effectively. Accordingly, as at the end of 2000, the advertising client base for all online and offline media properties reached 600.

The combined strengths of Shawei.com and YC Companies in the Mainland China sports market have enabled Tom to offer integrated online/offline packages in sports content and event management. Tom's Olympics initiative was an example of its cross media strategy. Exclusive contracts were signed with seven of Mainland China's top Olympic athletes to create multimedia content and online/offline promotional events. Tom also co-produced a multimedia Olympics coverage programme with eight Mainland China TV stations. Total revenue generated from the Olympics cross media initiative was HK$21 million. New advertising clients signed during the Olympics included Adidas, Coca-Cola, Compaq, Ericsson, Siemens and Sony.



OTHER BUSINESSES

AASTOCKS.com

AASTOCKS.com is a 50:50 joint venture between Tom and US online stock trading expert All Asia Financial LLC. Tom's total investment was approximately HK$46.8 million. AASTOCKS.com was officially launched in August 2000, with the aim of providing financial information and stock analysis through its proprietary artificial intelligence technology. Contracts have been signed with over 20 major brokerages to offer B2B and B2C value-added services. Other developments include the launch of a comprehensive service allowing users to access US stock prices, and a website dedicated to the Mainland China market.

GoChinaGo.com

Tom partnered with China Travel Network Co. Ltd. to form itravel Ltd. which creates Mainland China travel-related content and provides online travel agency services under GoChinaGo.com. Tom owns 55% of the company with an investment of approximately HK$30.9 million. GoChinaGo.com was soft launched in April 2000 with comprehensive China travel-related information in English, Japanese, Korean and Chinese. GoChinaGo.com offers B2C E-commerce services including flight reservations, hotel bookings and packaged tours. It is also developing outbound travel business in Mainland China through cooperation with China Travel Network.

She.com

In May 2000, Tom invested HK$19.5 million for a 35% stake in She.com. She.com is a women's portal and was officially launched in August 2000. Its aim is to build an online community for Asian women. Besides a variety of content and community features, She.com launched an inventory-free E-commerce platform, carrying overseas lifestyle merchandise sourced from consignment partners. During the year, She.com organised fashion shows in collaboration with brands such as Marie Claire, Chloé and Max & Co., successfully raising awareness of the site amongst its target audience.

The "Model 2001@She.com" award organised by She.com

OneAsia.com

Tom owns a 31% interest in OneAsia.com, an online retailer specialising in distributing Asian music, movie and entertainment products. In January 2001, OneAsia.com decided to cease its operations after evaluating different alternatives on shortening the timing of path to profit. OneAsia.com is in the process of exploring ways to liquidate its assets, which include its content, customer database and E-commerce engine in order to realise the most value for its shareholders' investment.

Comparison of Business Objectives with Actual Business Progress

from 1 July to 31 December, 2000

In accordance with the business objectives as laid down in the IPO prospectus dated 18 February 2000, below is our progress report. Almost all objectives have been achieved whilst a few are still in progress. Tom will continuously review its business objectives and strategies and make adjustments as necessary.

Business objectives as stated in the prospectus dated 18 February 2000	Actual business progress in respect of the six months period ended 31 December 2000
Content Development	
1. Expand essential content and features in TOM.COM for all targeted market segments	Launched Hong Kong and Mainland China Tom portals in late June 2000. Current content offerings now distributed over 24 channels in total.
2. Start to provide localised content and services by developing Chinese destination guides for major international cities	Localised content for major international cities include Beijing, Hong Kong, Shanghai and Guangzhou. Tom also provides detailed business guides for major cities through Shanghai Maya Online's city guide portal, cncities.com.
3. Continue to source for Chinese cultural and lifestyle content through alliances and strategic investments	Shawei.com & YC Companies have content offerings in the sports category. Tom continues to source content for different channels through strategic partnerships and commercial arrangements with content providers.
4. Commence development of destination guides for major cities in China and integrate relevant content into English language portals	GoChinaGo.com provides destination guides to over 30 major Chinese cities in four different languages. Tom will launch a national city map guide on the English portal in March 2001 with lifestyle and business information on various Chinese cities. This information will also be made available on TOM WIRELESS and TOM VOICE.
5. Enhance personalisation and community features based on new content and services	Community features include webmail, discussion forum, message boards and chatrooms. Tom also launched a number of personalised user applications, such as TOM-Q, an instant messaging application; MyTOM, a personalised homepage service utilising artificial intelligence technology; TOM WIRELESS, information provided to WAP-enabled mobile phones or short messaging services. Through 163.net, Tom is now the largest free e-mail service provider in Mainland China.
6. Evaluate the need to develop multimedia content targeting audience with broadband access	Tom portals are already providing multimedia content, ahead of schedule. These include live webcasts of seminars, and chats with local and international sports and entertainment celebrities.
7. Commence translation into English news	The English portal now offers English news.
8. Outsource content translation, content production, application development and other tasks whenever appropriate	Tom selectively outsources content production assignments such as micro-sites development to external suppliers. Tom has also engaged professional writers/ commentators to support content development.

Business objectives as stated in the prospectus dated 18 February 2000	Actual business progress in respect of the six months period ended 31 December 2000
E-commerce Development	
1. Commence development of online stores to provide more comprehensive E-commerce services	The Company offers both Tom-branded and non Tom-branded merchandise on the E-commerce platform, TOM'S SHOP. Product range has been widened to cover categories such as collectables, popular technology products and games. E-commerce partnerships have been established with partners including Citibank and Samsung Electronics, providing special joint promotion offers to customers. Tom will also look to expand into B2B online storefront services for merchant partners.
2. Offer comprehensive travel services, delivering physical exploration as part of "Total China Experience"	GoChinaGo.com provides comprehensive online/offline travel services covering hotel, travel reservations and tour packages.
3. Offer target advertising services based on member profiles for higher advertising income	All Tom portals now offer targeted e-mail marketing and newsletter distribution, incorporating all the databases of the newly acquired businesses.
Technology Development	
1. Complete system migration to an enterprise-level platform supporting worldwide access with appropriate load balancing	Tom and its affiliates have completed system integration to an enterprise level platform.
2. Commence system implementation for media asset management	The Tom portals have adopted the E-Grail content management system alongside the various Autonomy applications and functionalities. These have formed the foundation of our media asset management system.
3. Introduce targeted marketing and cross selling capabilities based on membership database	Tom provides demographic analysis of our database to facilitate sales of targeted marketing and promotion services on all sites for advertisers.
4. Continue to develop new web applications to support the introductions of new content and new features	Numerous new web applications have been introduced, including MyTOM, TOM-Q and TOM WIRELESS.
5. Start to adapt offering for content on mobile Internet network through alliance (s) with mobile service providers	The Company provides proprietary content and services on WAP mobile phones. In addition, Tom's Mainland China portal launched TOM VOICE, Mainland China's first voice portal.
Resource Deployment	
1. Expand content production team	The content production team in the Company's Mainland China operations has been expanded to take advantage of the low cost structure. Through integration of the new acquisitions, Tom has strengthened its content production capability in specialised areas such as sports.
2. Expand technical team	The Company has assembled a strong technical team to support both the Hong Kong and Mainland China portals' technical operations.
3. Complete employment of additional sales and marketing team	A director of sales was appointed in November 2000 to oversee the sales operations and development in Mainland China and Hong Kong. The sales team now totals over 100 staff covering both online and offline businesses.
4. Set up R&D team to explore and adopt new web technologies and solutions	Tom has a dedicated team of technical personnel engaged in research and development of new web technology and solutions. TOM-Q and the voice portal TOM VOICE are examples of some of the results of the team's efforts.

Directors' Profile

Frank John Sixt

aged 49, is the Chairman of the Company. He is Group Finance Director of Hutchison Whampoa Ltd. He is also an Executive Director of Cheung Kong Infrastructure Holdings Ltd. and Hongkong Electric Holdings Ltd. and a Director of Cheung Kong (Holdings) Ltd., Hutchison Telecommunications (Australia) Ltd., Husky Energy Inc., Partner Communications Company Ltd. and VoiceStream Wireless Corporation. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Chow Woo Mo Fong, Susan

aged 47, is a Non-Executive Director of the Company. She is Deputy Group Managing Director of Hutchison Whampoa Ltd. She is a solicitor and holds a Bachelor's degree in Business Administration. She is also an Executive Director of Cheung Kong Infrastructure Holdings Ltd. and a Director of Hongkong Electric Holdings Ltd., Partner Communications Company Ltd. and VoiceStream Wireless Corporation.

Chang Pui Vee, Debbie

aged 50, is a Non-Executive Director of the Company. She holds a Bachelor of Arts degree from Hunter College, New York City. She has been directing business development in the PRC for a number of years and is a director of Orient Overseas Developments Ltd., Beijing Oriental Plaza Company Ltd. and Orient-Horizon Ltd. Ms. Chang is a member of the People's Consultative Party of Beijing, Eastern City District.

Ip Tak Chuen, Edmond

aged 48, is a Non-Executive Director of the Company. He has been an Executive Director of Cheung Kong (Holdings) Ltd. since 1993. He is also an Executive Director of Cheung Kong Infrastructure Holdings Ltd. He holds a Master of Science degree in Business Administration and a Bachelor of Arts degree in Economics.

Feng Qi

aged 37, is a Non-Executive Director of the Company. He holds a Bachelor of Automation degree from Beijing United University. Since 1994 he has been the Project Director of Orient-Horizon Ltd., a management consultancy primarily involved in business development in the PRC. Prior to that, he worked at the China Customs Head Office where he was involved in the development of its customs clearance computer network.

Sing Wang

aged 37, is the Chief Executive Officer and an Executive Director of the Company. He has a strong background in investment and technology, and was an Executive Director of Goldman Sachs before joining the Company, where he was responsible for Goldman's China investment projects. He joined Goldman in 1993 and became head of Goldman High Technology Group's China High Technology team in 1999. Prior to joining Goldman, he was a Manager at Wardley Direct Investment Management Ltd., and a strategic consultant at McKinsey & Co. in Chicago. He graduated from Yunnan University with a Bachelor's degree in Science. He also holds a Master of Science degree in management, and a Bachelor of Arts degree in philosophy, politics and economics, from Oxford University.

Guy Look

aged 44, is the Chief Financial Officer and an Executive Director of the Company. He holds a Bachelor's degree in Commerce from the University of Birmingham in the UK. He is an associate member of the Institute of Chartered Accountants in England and Wales, and an associate member of the Hong Kong Society of Accountants. He has over 20 years' local and overseas financial and general management experience, and was a Deputy Managing Director of ONFEM Holdings Ltd., a Director and the Chief Executive Officer of Tung Wing Steel Holdings Ltd. (renamed Shougang Concord International Enterprises Co. Ltd.) and a Director of Santai Manufacturing Ltd. (renamed Shougang Concord Technology Holdings Ltd.), all of which are listed on the Main Board of The Stock Exchange of Hong Kong Ltd.

Michelle Leung

aged 34, is the Chief Operating Officer and an Executive Director of the Company. Prior to joining Tom, she founded an Internet company based in Silicon Valley and Hong Kong. She has experience from the media industry working with News Corporation in New York. She was an investment banker with Goldman Sachs in New York and Hong Kong. She has also worked at the United Nations in New York, Cambodia and South Africa. She has an MBA from the Harvard Business School and her undergraduate degrees include a Bachelor of Science degree in Economics and Politics from the London School of Economics and an undergraduate diploma in Chinese from Peking University.

Cheong Ying Chew, Henry

aged 53, is an independent Non-Executive Director of the Company. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a Director of certain other listed companies in Hong Kong. Mr. Cheong is a member of the Process Review Panel for the Securities and Futures Commission, a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

Holger Kluge

aged 59, is a Non-Executive Director of the Company. He was formerly President of Personal and Commercial Bank, CIBC, one of the largest financial services institutions in North America. He is also a Director of 724 Solutions Inc., Husky Energy Inc., Hutchison Telecommunications (Australia) Ltd., Prologic Inc., TAL Global Asset Management Inc., and Hongkong Electric Holdings Ltd. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

Lee Pui Ling, Angelina

aged 52, is an Independent Non-Executive Director of the Company. She is a practising solicitor. She has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is a Director of several listed companies in Hong Kong and is active in public service. Her current public service commitments include membership of a number of Hong Kong Government advisory and appeal boards.

James Sha

aged 50, is a Non-Executive Director of the Company. He has held senior positions with a number of large Internet-related companies. Since November 1999, he has been a Managing Partner with Spring Creek Ventures, a partnership specialising in early stage venture investment and business consultation with Internet companies. Prior to that, he was the Senior Vice President, Commerce Solutions, at Netscape Communications. He has also held senior positions with Actra Business Systems, Oracle's UNIX Product Division and the Advanced Systems Division of Wyse Technology. He holds a Master of Science degree in Electronic Engineering and Computer Science from the University of California, Berkeley, a Master of Business degree from Santa Clara University and a Bachelor of Science degree in Electronic Engineering from Taiwan University.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2000.

GROUP REORGANISATION

The Company 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. Pursuant to a group reorganisation (the "Reorganisation") in preparing for the listing of the shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company of the Group. Details of the Reorganisation are set out in the prospectus dated 18 February 2000 issued by the Company.

The shares of the Company have been listed on the GEM since 1 March 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the accounts.

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 42.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,100,000 (1999: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 14 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in notes 24 and 25 to the accounts.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. Frank John Sixt* *(Chairman)*

Mrs. Chow Woo Mo Fong, Susan*

Ms. Chang Pui Vee, Debbie*

Mr. Ip Tak Chuen, Edmond*

Mr. Feng Qi*

Mr. Sing Wang *(appointed on 28 July 2000)*

Mr. Guy Look *(appointed on 19 January 2000)*

Ms. Leung Quan Yue, Michelle *(appointed on 28 August 2000)*

Mr. Holger Kluge* *(appointed on 21 January 2000)*

Mr. Cheong Ying Chew, Henry# *(appointed on 21 January 2000)*

Mrs. Lee Pui Ling, Angelina# *(appointed on 28 January 2000)*

Mr. James Sha* *(appointed on 12 May 2000)*

Mr. Carl Chang *(resigned on 17 July 2000)*

Ms. Fong Chong Mei, Elizabete *(resigned on 19 January 2000)*

* non-executive directors
\# independent non-executive directors

In accordance with Articles 99 and 116 of the Company's Articles of Association, all the existing directors of the Company will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive directors (including the independent non-executive directors) have no set term of office but retire from office at each annual general meeting of the Company at which they will be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Sing Wang, Mr. Guy Look and Ms. Leung Quan Yue, Michelle, being all the executive directors, has entered into a continuous service contract with the Group commencing from 1 June 2000 in the case of Mr. Sing Wang, 11 November 1999 in the case of Mr. Guy Look and 30 May 2000 in the case of Ms. Leung Quan Yue, Michelle. The terms of each contract are continuous unless terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed, none of the directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' PROFILE

Directors' profile is set out on pages 27 to 28.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2000, the interests of the directors and chief executive of the Company in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as required to be recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

a. Directors' interests in shares

	Number of shares				
Name of directors	Personal interests	Family interests	Corporate interests	Other interests	Total
Sing Wang (Note)	—	—	2,924,000	—	2,924,000
Guy Look	40,000	—	—	—	40,000

Note: By virtue of the SDI Ordinance, Mr. Sing Wang is deemed to be interested in 2,924,000 shares of the Company held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

b. Directors' right to acquire shares

Pursuant to the Pre-IPO Share Option Plan adopted by the Company on 11 February 2000 (as described in Appendix IV to the prospectus dated 18 February 2000 of the Company), Mr. Guy Look was granted an option to subscribe for 9,080,000 shares of the Company 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).

Pursuant to the employee share option scheme (the "Share Option Scheme") adopted by the Company on 11 February 2000 (as described in Appendix IV to the prospectus dated 18 February 2000 of the Company), Mr. Sing Wang was granted an option on 30 June 2000 to subscribe for 15,000,000 shares of the Company 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). In addition, pursuant to the Share Option Scheme, Mr. Sing Wang was granted an option on 8 August 2000 to subscribe for 15,270,000 shares of the Company 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).

Pursuant to the Share Option Scheme, Ms. Leung Quan Yue, Michelle was granted an option on 31 May 2000 to subscribe for 7,000,000 shares of the Company 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). In addition, pursuant to the Share Option Scheme, Ms. Leung Quan Yue, Michelle was granted an option on 8 August 2000 to subscribe for 5,000,000 shares of the Company 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).

Pursuant to the Share Option Scheme, Mr. James Sha was granted an option on 8 April 2000 (and supplemented) to subscribe for 15,000,000 shares of the Company at a subscription price of HK$8.78 per share exercisable during the period from 8 April 2000 to 9 April 2003 (both dates inclusive). In addition, pursuant to the Share Option Scheme, Mr. James Sha was granted an option on 15 November 2000 to subscribe for 15,000,000 shares of the Company at a subscription price of HK$5.30 per share exercisable during the period from 15 November 2000 to 14 November 2010 (both dates inclusive).

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the register required to be kept under section 16 (1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

These interests are in addition to those disclosed above in respect of the directors:

Name of shareholders	Number of shares held
Li Ka-shing	1,392,000,000 (Notes 1 & 2)
Li Ka-Shing Unity Holdings Limited	1,392,000,000 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	1,392,000,000 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	1,392,000,000 (Notes 1 & 2)
Cheung Kong (Holdings) Limited	1,392,000,000 (Notes 1 & 2)
Cheung Kong Investment Company Limited	464,000,000 (Note 1)
Cheung Kong Holdings (China) Limited	464,000,000 (Note 1)
Sunnylink Enterprises Limited	464,000,000 (Note 1)
Romefield Limited	464,000,000 (Note 1)
Hutchison Whampoa Limited	928,000,000 (Note 2)
Hutchison International Limited	928,000,000 (Note 2)
Easterhouse Limited	928,000,000 (Note 2)
Chau Hoi Shuen	928,000,000 (Note 3)
Cranwood Company Limited	928,000,000 (Note 3)
Schumann International Limited	580,000,000 (Note 3)
Handel International Limited	348,000,000 (Note 3)

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 the Company 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 the Company 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 meetings 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 of the Company and 928,000,000 shares of the Company 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 meetings 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 of the Company and 348,000,000 shares of the Company 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 the Company.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 December 2000, which do not constitute connected transactions under the GEM Listing Rules are disclosed in note 29 to the accounts.

As disclosed in the paragraphs headed "Connected transactions" in the prospectus dated 18 February 2000 of the Company, the Group has entered into the following continuing connected transactions ("Ongoing Transactions") as defined under the GEM Listing Rules and on 29 February 2000 waiver was granted by the Stock Exchange from strict compliance with the requirements of rules 20.35 and 20.36 and/or 20.26 (2) of the GEM Listing Rules:

1. On 20 January 2000, TOM.COM INTERNATIONAL LIMITED (formerly "Super Channel Enterprises Limited") ("TOM.COM INTERNATIONAL"), a wholly-owned subsidiary of the Company, has entered into a lease agreement with Rhine Office Investments Limited, Elbe Office Investments Limited and Hutchison Hotel Hong Kong Limited (collectively "Hutchison Subsidiaries"), all being the subsidiaries of Hutchison Whampoa Limited ("HWL"), a substantial shareholder of the Company, in respect of the lease by TOM.COM INTERNATIONAL of the whole of 19th Floor, Office Tower One, The Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, with an area of 23,738 square feet for a term of 6 years commencing on 1 April 2000 at a monthly rental of HK$308,594 for the first 3 years and market rent for the remaining 3 years. Pursuant to the lease agreement, a compensation in the amount of HK$1,490,509 ("Compensation") was to be payable to Hutchison Subsidiaries for losses incurred by early termination of a pre-existing tenancy agreement relating to the said premises and TOM.COM INTERNATIONAL may sublet the premises to any subsidiary of the Company and/or Hutchison Telecom Limited ("Hutchison Telecom") at the same rate. Pursuant to the waiver granted by the Stock Exchange, the amount receivable under the sublease arrangement, if any, from any subsidiary of Hutchison Telecom is capped at HK$2,000,000 per annum for each of the three years ended 31 December 2002. During the year, no sublease agreement has been entered into between TOM.COM INTERNATIONAL and any subsidiary of Hutchison Telecom in respect of the said premises.

On 7 February 2001, TOM.COM INTERNATIONAL has entered into an agreement with Hutchison Subsidiaries to terminate the said lease agreement and after arm's length negotiations, the parties agreed that the Compensation is no longer required to be paid. The waiver granted by the Stock Exchange in respect of the said lease agreement ceases to be applicable.

2. On 21 January 2000, TOM.COM INTERNATIONAL has entered into a lease agreement with The Center (19) Limited ("TCL"), a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH"), a substantial shareholder of the Company, in respect of the lease by TOM.COM INTERNATIONAL of the whole of 19th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong, with an area of about 24,884 square feet for a term of 3 years commencing on 8 February, 2000 at a monthly rent of HK$627,077.

On 31 March 2000, TOM.COM INTERNATIONAL has entered into an agreement with TCL to terminate the said lease agreement. The waiver granted by the Stock Exchange in respect of the said lease agreement ceases to be applicable.

3. Pursuant to a web content development and provision contract entered into between Super Cultural Limited (formerly "Razzamatazz Limited") ("Super Cultural"), a wholly-owned subsidiary of the Company, Mr. Wang Lei Lei and Beijing ECLink Science and Technology Development Company Limited ("Beijing ECLink"), a company owned as to

40% by Mr. Feng Qi, a non-executive director of the Company, and as to 60% by Mr. Wang Qi (an employee of CKH group) dated 17 January 2000 (as amended by a supplemental agreement dated 28 January 2000 pursuant to which Mr. Wang Lei Lei was removed as a party from the agreement upon his appointment as an employee of the Group), Beijing ECLink agreed to create, develop and provide content and services to Super Cultural on a reimbursement of cost basis for a term of five years from the date of the contract. Pursuant to the waiver granted by the Stock Exchange, the annual amounts payable to Beijing ECLink have been capped at HK$20,000,000 for each of the three years to 31 December 2002. Caps to be set for the remaining term of the agreement after 2002 shall be determined in due course and are proposed to be approved on an annual basis by independent shareholders if the then proposed caps exceed the higher of HK$10,000,000 and 3% of the net tangible assets of the Company at that time.

4. Pursuant to an advertising agreement originally entered into between the Company and Metro Broadcast Corporation Limited ("Metro"), an associate of Easterhouse Limited and Romefield Limited, both being substantial shareholders of the Company, dated 13 January 2000 (as amended by a novation agreement and amendment agreement dated 28 January 2000 among the Company, Metro and TOM.COM INTERNATIONAL), TOM.COM INTERNATIONAL has agreed to buy commercial airtime for a term of 3 years expiring on 31 December 2002. During the period from 1 January to 30 June 2000 (inclusive), TOM.COM INTERNATIONAL shall pay Metro HK$5,000,000 for the commercial airtime, being arrived at based on the rate which Metro charges other third parties for similar services. Pursuant to the waiver granted by the Stock Exchange, the annual amounts payable to Metro have been capped at 3% of the consolidated net tangible assets of the Group as at 31 December of the preceding year for each of the three years to 31 December 2002.

5. Pursuant to an internet content supply agreement dated 30 December 1999 (as supplemented by an amendment agreement dated 21 January 2000) between Super Web Limited ("Super Web"), a wholly-owned subsidiary of the Company and Metro, Metro shall supply Super Web with radio programmes, broadcast material and other information which Super Web may utilise in the development of Super Web's internet business for a minimum term of 3 years terminable on 6 months' notice thereafter. The fee payable for the provision of such information for the period 30 December 1999 to 29 December 2000 shall be HK$12,000,000 and thereafter shall be determined by mutual agreement of the parties. Pursuant to the waiver granted by the Stock Exchange, the annual amounts payable to Metro have been capped at 3% of the consolidated net tangible assets of the Group as at 31 December of the preceding year for each of the three years to 31 December 2002. On 9 March 2001, Super Web and Metro have entered an agreement to terminate the aforesaid internet content supply agreement. The waiver granted by the Stock Exchange in respect of the said internet content supply agreement ceases to be applicable. Super Web and Metro are in discussions regarding the future content supply arrangements, however, no definitive agreement has yet been reached.

6. Pursuant to a service agreement dated 20 January 2000 (as amended by an agreement dated 28 January 2000) entered into between TOM.COM INTERNATIONAL and Hutchison International Limited ("HIL"), a wholly-owned subsidiary of HWL, HIL agreed to provide administrative and other support services, including company secretarial, corporate public relations and treasury services to TOM.COM INTERNATIONAL on a reimbursement of cost basis for a term of 3 years expiring on 19 January 2003. Pursuant to the waiver granted by the Stock Exchange, the annual amounts payable to HIL have been capped at HK$5,000,000 for each of the three years to 31 December 2002.

7. Pursuant to a multimedia master service agreement dated 20 January 2000 (as amended by an agreement dated 28 January 2000) entered into between the Company and Hutchison Multimedia Services Limited ("HMSL"), an associate of HWL, HMSL agreed to provide facility management services to the Company at a cost of HK$343,900 per month, being arrived at based on the rate which HMSL would charge third parties for the provision of the same services, for a term of 3 years from the date of commencement of the provision of such services. An initial set up fee of HK$58,000 has been paid. Pursuant to the waiver granted by the Stock Exchange, the annual amounts payable to HIL have been capped at 3% of the consolidated net tangible assets of the Group as at 31 December of the preceding year for each of the three years to 31 December 2002.

Pursuant to the waiver granted by the Stock Exchange, the Ongoing Transactions have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors have confirmed that the Ongoing Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant caps referred to above.

The Auditors of the Company have also confirmed that the Ongoing Transactions (a) have received the approval of the Company's board of directors; (b) have been entered into in accordance with the relevant agreements governing the transactions; and (c) have not exceeded their respective caps.

During the year, the Group has also entered into the following notifiable connected transactions as defined under the GEM Listing Rules:

a. On 31 March 2000, TOM.COM INTERNATIONAL has entered into a tenancy agreement with The Center (47) Limited, The Center (48) Limited and The Center (49) Limited, all being wholly-owned subsidiaries of CKH, in respect of the lease by TOM.COM INTERNATIONAL of the whole of 47-49/F., The Center, 99 Queen's Road Central, Central, Hong Kong, with an area of approximately 75,883 square feet for a term of 4 years commencing on 1st April 2000 at a monthly rental of HK$2,086,782.5. On 12 September 2000, the parties have entered into a surrender agreement with respect to the surrender of the whole of 49th Floor, The Center. The monthly rental for the retained portion of the said premises was reduced to HK$1,382,892.5. On the same date, Beijing Super Channel Network Limited ("Beijing Super Channel"), a wholly-owned subsidiary of the Company, has entered into a tenancy agreement with Beijing Oriental Plaza Co. Ltd., an indirect subsidiary company of CKH, in respect of the lease by Beijing Super Channel of the whole of 8th Floor, Tower W1, The Towers, Oriental Plaza, No.1-31, Dong Chang An Jie, Dong Cheng District, Beijing, People's Republic of China, with an area of approximately 3,074 square metre for a term of 36 months from 15 June 2000 at a monthly rental of US$52,258 (approximately HK$404,999.5).

b. On 31 March, 2000, TOM.COM INTERNATIONAL has entered into a licence with Hutchison Estate Agents Limited ("HEAL") as agent for Hutchison Subsidiaries in respect of Units 2001-3, 20th Floor, Office Tower Two, The Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, with an area of approximately 5,187 square feet for the extension of one month from 1 April, 2000 to 30 April, 2000 at a monthly rent of HK$41,496. The said licence has been expired.

c. On 31 March 2000, TOM.COM INTERNATIONAL has entered into a licence with HEAL as agent for Hutchison Subsidiaries in respect of Units 2004 and 2009-12, 20th Floor, Office Tower Two, The Harbourfront, 22 Tak Fung

Street, Hunghom, Kowloon, with an area of approximately 9,878 square feet for one month from 1 April, 2000 to 30 April 2000 at a monthly rent of HK$79,024. The said licence has been expired.

d. On 1 September 2000, Effective Developments Limited ("Effective Developments"), a wholly-owned subsidiary of the Company, has entered into an agreement with Freenet Information Technology Company Limited ("Freenet") (of which Mr. Sing Wang has approximately 12.06% equity interest), under which, Effective Developments agreed to acquire the entire issued share capital of Rich Wealth Holdings Limited, a wholly-owned subsidiary of Freenet, at a total consideration of US$48 million (approximately HK$374,400,000) of which US$45,000,000 (approximately HK$351,000,000) was satisfied by (i) the issuance of 61,686,000 new shares of HK$0.10 per share of the Company (credited as fully paid) at HK$5.69 per share; and (ii) the payment of HK$6,663 in cash in respect of the balance of the consideration; and the remaining consideration of US$3 million (approximately HK$23,400,000) was satisfied by way of repayment of shareholders' loans. Upon completion of the said acquisition, Rich Wealth Holdings Limited and its wholly-owned subsidiary, Advanced Internet Services Limited ("AIS"), became the wholly-owned subsidiaries of the Company. Pursuant to the loan agreement entered into between AIS and Mr. Sing Wang on 10 December 1999 and supplements thereto, AIS has loaned to Mr. Sing Wang for the sole purpose of on-lending the same to 深圳市新飛網信息技術有限公司 ("Shenzhen Freenet") (which Mr. Sing Wang held a 90% equity interest). As at 31 December 2000, such loan is outstanding as to RMB76,899,381. The loan is interest free and is repayable to AIS upon Mr. Sing Wang having received in full the repayment of the loan from Shenzhen Freenet. The loan from Mr. Sing Wang to Shenzhen Freenet is also interest free and is repayable on 15 December 2001. In addition, pursuant to the option and pledge agreements entered into between each of the shareholders of Shenzhen Freenet (including Mr. Sing Wang) (the "SF Shareholders") and AIS, AIS was granted options to purchase from all the SF Shareholders the entire equity interests in Shenzhen Freenet and the SF Shareholders also pledged all their respective equity interests in Shenzhen Freenet to AIS, such option and pledge arrangements serve as a security for the repayment of the aforesaid loan from AIS to Mr. Sing Wang. Such pledges shall remain in place notwithstanding the repayment of the loan from Mr. Sing Wang to AIS as they also serve as a security of the options. The aforesaid transaction was completed on 2 November 2000, details of which were disclosed in the circular dated 2 November 2000 of the Company.

e. On 19 December 2000, Green Treasure Holdings Limited ("Green Treasure"), a wholly-owned subsidiary of the Company, has entered into a share purchase agreement with Marvel Path Limited, a company indirectly owned as to 40% by a wholly-owned subsidiary of HWL, 20% by a wholly-owned subsidiary of CKH and an aggregate of 40% by two wholly-owned subsidiaries of Cranwood Company Limited (a substantial shareholder of the Company), under which, Green Treasure agreed to acquire the entire issued share capital of T Advertising Limited, which shall on closing date of the said agreement hold a 50% equity interest in or 50% economic interest of Shanghai Maya Cultural Transmission Company Limited and interest in shareholder's loan of US$6,970,000 owing by T Advertising Limited at a total consideration of US$21,970,000 (approximately HK$171,366,000). The consideration will be satisfied by way of issuance of 31,100,908 new shares of HK$0.10 each of the Company (credited as fully paid) at HK$5.51 per share. Details of the transaction were disclosed in the circular dated 15 January 2001 of the Company. The aforesaid transaction has been approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 16 February 2001. As at the date of this report, the transaction has not yet completed.

f. On 29 December 2000, the loan agreements which comprise (i) a loan agreement entered into between AIS and Mr. Wang Lei Lei (who held a 9% equity interest of Shenzhen Freenet), under which, AIS agreed to provide the loan in the sum of HK$10,000,000 ("AIS Loan") to Mr. Wang Lei Lei at the interest rate of 6.95% per annum for the sole purpose of on-lending the same to Shenzhen Freenet (of which Mr. Sing Wang held a 90% equity interest); and (ii) a loan agreement entered into between Mr. Wang Lei Lei and Shenzhen Freenet for the provision of the loan in the amount of RMB10,600,000 (approximately HK$10,000,000) to Shenzhen Freenet at the interest rate of 6.95% per annum. The AIS Loan shall be repaid, in full, to AIS immediately after Mr. Wang Lei Lei has received in full and final settlement of the loan repaid by Shenzhen Freenet. The loan from Mr. Wang Lei Lei to Shenzhen Freenet shall be for a term of 12 months from 29 December 2000, unless otherwise extended.

g. On 29 December 2000, Beijing Super Channel has entered into a technology service agreement with Shenzhen Freenet, under which, Beijing Super Channel agreed to provide and develop web content for Shenzhen Freenet at a service fee of RMB500,000 (approximately HK$471,700) per month. Pursuant to the said agreement, Beijing Super Channel will be the exclusive technical services provider of Shenzhen Freenet. The technical services to be provided to Shenzhen Freenet include but not limited to the maintenance of servers, the development, renewal and upgrading of server application software and web-user software, the training of technicans and any other technical services Shenzhen Freenet may require.

h. On 29 December 2000, Beijing Super Channel has entered into a content agreement with Shenzhen Freenet, under which, Shenzhen Freenet agreed to exclusively commission Beijing Super Channel to design, create, develop web content, including without limitation, databases, information systems, web pages and other web material, relating to the People's Republic of China ("Contents") and to provide the Contents to Shenzhen Freenet in accordance with the written specifications and requests provided by Shenzhen Freenet from time to time. Pursuant to the said agreement, Beijing Super Channel is entitled to a content provision fee which shall be equivalent to 50% of the net revenue (gross revenue earned by Shenzhen Freenet after deducting business tax, depreciation of network software and hardware, direct salary and other necessary and reasonable expenses) of Shenzhen Freenet.

i. On 29 December 2000, Beijing Super Channel has entered into a servers transfer contract with Shenzhen Freenet, under which, Beijing Super Channel agreed to dispose its servers (including all legal and beneficial title) to Shenzhen Freenet at a consideration of RMB2,673,782.38 (approximately HK$2,522,436).

The directors of the Company (including the independent non-executive directors) confirmed that all of the above connected transactions were contracted on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the agreements are fair and reasonable so far as the independent shareholders of the Company are concerned.

On 9 March 2001, TOM.COM INTERNATIONAL has entered into a sub-tenancy agreement with Metro, under which, TOM.COM INTERNATIONAL agrees to lease Units 4705-4707, 47th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong to Metro with an area of approximately 4,050 square feet for a term of 3 years commencing from 1 January 2001 at a monthly rental of HK$111,375. The directors of the Company (including the independent non-executive directors) confirmed that the above connected transaction was contracted on normal commercial terms and that the terms of said agreement are fair and reasonable so far as the independent shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN CONTRACTS

On 1 September 2000, the Group entered into an agreement with Freenet for the acquisition of the entire issued share capital of Rich Wealth Holdings Limited, details of which are set out in paragraph (d) under the section headed "Connected transactions" of this report. At that time, Mr. Sing Wang has approximately 12.06% and 90% equity interests in Freenet and Shenzhen Freenet respectively.

Mrs. Lee Pui Ling, Angelina is a partner of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group and charged usual professional fees during the year.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

A service agreement has been entered into between the Group and HIL, under which, HIL agreed to provide administrative and other support services, including company secretarial, corporate public relations and treasury services to the Group on a reimbursement of cost basis for a term of three years expiring on 19 January 2003. The agreement can be terminated on three months' notice at any time after 20 July 2000.

Save as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers. The percentages of sales for the year attributable to the Group's major customers are as follows:

Sales	
the largest customer	20%
five largest customers combined	50%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM of the Stock Exchange on 1 March, 2000, except that the non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

The Company has established an audit committee in January 2000 with written terms of reference based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

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 comprises an executive director, Mr. Guy Look, and two independent non-executive directors, namely Mrs. Lee Pui Ling, Angelina and Mr. Cheong Ying Chew, Henry. The audit committee has met 4 times since its formation.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to rule 11.04 of the GEM Listing Rules:-

Mr. Frank John Sixt and Mrs. Chow Woo Mo Fong, Susan, the Chairman and a non-executive director of the Company respectively, are executive directors of HWL 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. Ip Tak Chuen, Edmond, a non-executive director of the Company, is an executive director of CKH 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 the Company, is 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 business of CYTS may compete with those of the Group. However, the directors are also of the view that the invaluable experience of Mr. Wang in the Internet industry will complement the development of the Group's business.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

SUBSEQUENT EVENTS

Details of significant events which have been taken place subsequent to the balance sheet date are set out in note 30 to the accounts.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 31 December 2000, an associated company and one employee of the Sponsor held 200,000 shares and 10,000 shares of the Company 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 the Company, including options or rights to subscribe for such securities.

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

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Frank John Sixt
Chairman

Hong Kong, 19 March 2001

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Auditors' Report

TO THE SHAREHOLDERS OF TOM.COM LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 42 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2001

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Note	**2000** **HK$'000**	1999 HK$'000
Turnover	3	**89,223**	3,240
Direct expenses		**56,134**	189
Interest income	3	**(80,634)**	(410)
Website development expenses		**145,264**	26,879
Advertising and promotion expenses		**120,635**	7,364
Depreciation and amortisation		**61,710**	6,176
General and administrative expenses		**169,450**	16,381
Operating loss	5	**383,336**	53,339
Restructuring costs	6	**37,717**	–
Share of losses of jointly controlled entities		**16,190**	–
Share of losses of associates		**6,230**	–
Loss before taxation		**443,473**	53,339
Taxation	7	**3,147**	–
Loss after taxation		**446,620**	53,339
Minority interests		**10,546**	279
Loss attributable to shareholders	8	**436,074**	53,060
Loss per share – basic	9	**HK 15.10 cents**	HK 2.31 cents

Consolidated Balance Sheet

as at 31 December 2000

	Note	2000 HK$'000	1999 HK$'000
ASSETS			
Non-current assets			
Intangible assets	13	**293,823**	309,564
Fixed assets	14	**237,900**	24,559
Interests in jointly controlled entities	16	**27,540**	–
Interests in associates	17	**5,084**	–
Investments	18	**10,522**	–
		574,869	334,123
Current assets			
Inventories	19	**1,407**	–
Trade and other receivables	20	**102,978**	8,843
Bank balances and cash		**934,512**	22,369
		1,038,897	31,212
Current liabilities			
Consideration payables	21	**517,279**	–
Trade and other payables	22	**303,870**	26,173
Taxation payable		**3,147**	–
Bank loan, unsecured		**1,410**	–
		825,706	26,173
Net current assets		**213,191**	5,039
Total assets less current liabilities		**788,060**	339,162
Non-current liabilities			
Loans from shareholders	23	–	362,877
Minority interests		**1,003**	–
Net assets/(liabilities)		**787,057**	(23,715)
CAPITAL AND RESERVES			
Share capital	24	**315,939**	389
Reserves/(deficits)	26	**471,118**	(24,104)
Shareholders' funds/(deficits)		**787,057**	(23,715)

Sing Wang
Director

Guy Look
Director

Balance Sheet

as at 31 December 2000

	Note	2000 HK$'000	1999 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	15	**2,127,422**	353,327
Investments	18	**1**	–
		2,127,423	353,327
Current assets			
Trade and other receivables	20	**1,325**	389
Bank balances and cash		**820,302**	56
		821,627	445
Current liabilities			
Consideration payables	21	**517,279**	–
Trade and other payables	22	**56,896**	6
		574,175	6
Net current assets		**247,452**	439
Total assets less current liabilities		**2,374,875**	353,766
Non-current liabilities			
Loans from shareholders	23	–	362,877
Net assets/(liabilities)		**2,374,875**	(9,111)
CAPITAL AND RESERVES			
Share capital	24	**315,939**	389
Reserves/(deficits)	26	**2,058,936**	(9,500)
Shareholders' funds/(deficits)		**2,374,875**	(9,111)

Sing Wang
Director

Guy Look
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 HK$'000	1999 HK$'000
Net cash outflow from operating activities	27(a)	**(340,115)**	(40,372)
Returns on investments and servicing of finance			
Interest received		**80,634**	410
Investing activities			
Purchase of intangible assets		–	(309,564)
Purchase of fixed assets		**(217,809)**	(2,806)
Sale of fixed assets		**5,831**	–
Purchase of subsidiaries	27(b)&(c)	**2,110**	–
Purchase of jointly controlled entities and associates		**(101,110)**	–
Purchase of investments		**(33,343)**	–
Loan to a jointly controlled entity		**(11,271)**	–
Loan to an investee company		**(8,457)**	–
Net cash outflow from investing activities		**(364,049)**	(312,370)
Net cash outflow before financing		**(623,530)**	(352,332)
Financing	27(d)		
Issue of ordinary shares, net of issuing expenses		**1,397,445**	389
Repurchase of ordinary shares		**(776)**	–
New loans from shareholders		**138,832**	362,877
Advance from a minority shareholder		**172**	279
Net cash inflow from financing		**1,535,673**	363,545
Increase in cash and cash equivalents		**912,143**	11,213
Cash and cash equivalents at 1 January		**22,369**	11,156
Cash and cash equivalents at 31 December		**934,512**	22,369
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**934,512**	22,369

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 December 2000

	Note	2000 HK$'000	1999 HK$'000
Net losses not recognised in the consolidated profit and loss account – exchange differences arising on translation of accounts of subsidiaries, jointly controlled entities and associates	26	**253**	–
Loss for the year	26	**436,074**	53,060
Total recognised losses		**436,327**	53,060
Goodwill set off against reserves	26	**1,365,695**	–
		1,802,022	53,060

Notes to the Accounts

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 5 October 1999. On 1 March 2000, the Company's shares were listed on the Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares, the Company acquired the entire share capital of Alexus Company Limited ("Alexus") through share swap and the net assets of other business by cash from the major shareholders of the Company, Hutchison Whampoa Limited ("HWL"), Cheung Kong (Holdings) Limited ("CKH") and certain strategic investors. The Company became the ultimate holding company of the companies within the Group as at the date of Reorganisation. Details of the Reorganisation are set out in the prospectus of the Company dated 18 February 2000.

Both the Company and Alexus are under common control and the shareholders and their rights remain unchanged before and after the Reorganisation. Merger accounting is therefore adopted in the preparation of the Group's accounts pursuant to Statement of Standard Accounting Practice 2.127 "Accounting for group restructurings". The consolidated accounts of the Group for the year ended 31 December 2000, including the comparative figures, are prepared on a combined basis as if Alexus and its subsidiary, ECLink Electronic Network Systems (Shenzhen) Co., Ltd., had been in the Group since 1 January 1999. The comparative figures of the consolidated accounts for the year ended 31 December 2000 have been restated to reflect the adoption of merger accounting.

The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants and effective for the year ended 31 December 2000.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

a. CONSOLIDATION

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

b. JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

2. Principal accounting policies ***(continued)***

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

c. ASSOCIATES

An associate is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the group's share of the net assets of the associates.

d. GOODWILL

Goodwill represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries, jointly controlled entities and associates acquired. The Group eliminates goodwill arising from different acquisitions on consolidation either by immediate elimination to reserves or by amortisation through the consolidated profit and loss account. Where amortisation is adopted, goodwill is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life up to a maximum of twenty years.

e. INVESTMENTS

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the investment revaluation reserve is taken to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

f. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

Fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvement	15–25%
Computer equipment	$33\frac{1}{3}$%
Office equipment, furniture and fixtures	15%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

2. Principal accounting policies ***(continued)***

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

g. CONSTRUCTION IN PROGRESS

Construction in progress is stated at cost. Cost comprises direct costs of construction as well as direct expenses capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to land and buildings when subsequently all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

h. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first-in-first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

i. TRADE RECEIVABLES

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

j. REVENUE RECOGNITION

Revenue from sale of services is recognised when the services are rendered.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

k. WEBSITE DEVELOPMENT EXPENSES

All expenses incurred in the development of websites are charged to profit and loss account as incurred.

l. ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses are charged to profit and loss accounts as incurred.

m. RETIREMENT BENEFIT COSTS

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and, where applicable, are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

2. Principal accounting policies *(continued)*

n. OPERATING LEASES

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

o. DEFERRED TAXATION

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

p. TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

3. Turnover and revenue

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 to the accounts.

Turnover represents revenues from online media and related services and offline media services. The amount of each significant category of revenue recognised during the year is as follows:

	2000 **HK$'000**	1999 HK$'000
Online media and related revenues		
Advertising, events production, corporate application services and e-commerce sales	**54,865***	3,240
Offline media revenues		
Advertising agency and events production services	**34,358**	–
Turnover	**89,223**	3,240
Interest income	**80,634**	410
Total revenues	**169,857**	3,650

* includes revenue from provision of technical services amounting to HK$ 17,860,000.

4. Segmental information

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and geographical locations is as follows:

By principal activities

	Turnover		Contribution to (loss)/profit from operations	
	2000 HK$'000	1999 HK$'000	**2000 HK$'000**	1999 HK$'000
Online media and related services	**54,865**	3,240	**(466,155)**	(53,749)
Offline media services	**34,358**	–	**2,185**	–
	89,223	3,240	**(463,970)**	(53,749)
Interest income			**80,634**	410
Operating loss			**(383,336)**	(53,339)

By geographical location of operations

	Turnover	
	2000 HK$'000	1999 HK$'000
Hong Kong	**31,909**	–
The People's Republic of China ("PRC")	**57,314**	3,240
	89,223	3,240

5. Operating loss

Operating loss is stated after charging the followings:

	2000 HK$'000	1999 HK$'000
Depreciation	**35,796**	6,176
Staff costs	**119,992**	10,242
Operating leases in respect of buildings	**20,113**	1,698
Retirement benefit costs (Note 11)	**3,552**	184
Auditors' remuneration	**2,638**	712
Loss on disposal of fixed assets	**18,912**	25
Provisions for diminution of investments	**7,190**	–
Amortisation of goodwill	**25,914**	–

6. Restructuring costs

These represented mainly redundancy costs and loss on disposal of fixed assets incurred in connection with the realignment of resources exercise for the Hong Kong portal operations.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. PRC income tax has been calculated on the estimated assessable profit for the year at the rates of taxation applicable to enterprises in PRC.

The amount of taxation charged to the consolidated profit and loss account represents:

	2000 HK$'000	1999 HK$'000
Hong Kong profits tax	**161**	–
PRC income tax	**2,986**	–
	3,147	–

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.

8. Loss attributable to shareholders

Included in the loss attributable to shareholders is a loss of HK$252,760,000 (1999: a profit of HK$5,000), which is dealt with in the accounts of the Company.

9. Loss per share

The loss per share is based on the weighted average of 2,887,139,499 (1999: 2,300,000,000) ordinary shares in issue during the year. 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 the Company in 2000 would have an anti-dilutive effect on the loss per share for the year ended 31 December 2000.

10. Dividends

No dividends had been paid or declared by the Company during the year.

11. Retirement benefit costs

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to provident fund schemes.

The Group's Hong Kong employees are members of a defined contribution provident fund scheme. All contributions are made by the Group at either 7.5% or 10% of the employee's basic salary. Benefits are equal to the vested contribution plus a minimum interest of 5% per annum thereon. Where an employee leaves the scheme before the employer's contribution has fully vested, such forfeited contributions may be used by the employer to reduce its existing level of contributions. Forfeited contributions totalling HK$591,000 (1999: HK$Nil) were utilised during the year. The assets of the scheme are held separately from those of the Group in an independently administered fund.

11. Retirement benefit costs *(continued)*

Commencing 1 December 2000, the Group's Hong Kong employees may elect to join the Mandatory Provident Fund. Contributions are made at 5% of an employee's gross salary or HK$1,000, whichever is lower.

During the year, the Group's subsidiaries in the PRC participate in various provincial/municipal retirement schemes managed by the respective provincial/municipal government. Pursuant to the relevant provisions, the Group's PRC subsidiaries are required to make monthly contributions at rates prevailing in the relevant provinces on the employee's monthly salaries. The pension payments to the retired employees of the Group are borne by the local government.

12. Directors' and senior management's emoluments

a. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2000 **HK$'000**	1999 HK$'000
Fees	**466**	–
Basic salaries, housing allowances, other allowances and benefits in kind	**7,598**	249
Benefit from share options exercised	**6,932**	–
Discretionary bonuses	**1,958**	82
Contributions to retirement benefit schemes for directors (and past directors) of the Company	**436**	–
	17,390	331

Directors' fees disclosed above include HK$173,770 (1999: HK$Nil) paid to independent non-executive directors.

The current executive directors receiving individual emoluments of approximately HK$ 2,087,621 (1999: HK$Nil), HK$1,725,657 (1999: HK$Nil) and HK$3,016,970 (1999: HK$Nil) for the year ended 31 December 2000. Two past executive directors received individual emoluments, including the benefit from the exercise of share options, of approximately HK$10,093,317 (1999: HK$Nil) and HK$Nil (1999: HK$331,000) for the year ended 31 December 2000.

Except for one non-executive director received a director's fee of HK$31,967 (1999: HK$Nil), each non-executive director received a director's fee of HK$43,443 (1999: HK$Nil) for the year ended 31 December 2000. Each of the two independent non-executive directors who are also members of the Audit Committee of the Company received a director's fee of HK$86,885 (1999: HK$Nil) for the year ended 31 December 2000. All non-executive directors and independent non-executive directors did not receive any other emoluments.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There has been no arrangement under which a director has waived or agreed to waive any emoluments for the year ended 31 December 2000.

12. Directors' and senior management's emoluments *(continued)*

b. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (1999: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (1999: four) individual during the year are as follows:

	2000 HK$'000	1999 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,542**	3,158
Discretionary bonuses	**345**	–
Contributions to retirement benefit schemes	**103**	4
	1,990	3,162

The emoluments fell within the following bands:

Emolument bands	Number of individuals 2000	Number of individuals 1999
HK$Nil – HK$1,000,000	**–**	3
HK$1,500,001 – HK$2,000,000	**1**	1
	1	4

No emoluments of the five highest paid individuals, including directors of the Company were incurred as inducements to join or upon joining the Group.

13. Intangible assets

	Group 2000 HK$'000	Group 1999 HK$'000
Goodwill		
Cost		
At 1 January	**309,564**	–
Additions	**10,173**	309,564
At 31 December	**319,737**	309,564
Accumulated amortisation		
At 1 January	**–**	–
Amortisation for the year	**25,914**	–
At 31 December	**25,914**	–
	293,823	309,564

14. Fixed assets

	Group					
	Leasehold improvement	Computer equipment	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2000	2,878	32,806	1,633	–	–	37,317
Additions	41,868	161,008	13,843	1,090	–	217,809
Acquisition of subsidiaries	1,439	29,436	33,609	1,947	11,233	77,664
Disposals	(11,785)	(10,646)	(1,807)	(1,154)	–	(25,392)
At 31 December 2000	34,400	212,604	47,278	1,883	11,233	307,398
Accumulated depreciation						
At 1 January 2000	1,616	10,807	335	–	–	12,758
Charge for the year	4,658	30,068	796	274	–	35,796
Acquisition of subsidiaries	341	4,199	16,581	472	–	21,593
Disposals	–	(474)	(94)	(81)	–	(649)
At 31 December 2000	6,615	44,600	17,618	665	–	69,498
Net book value						
At 31 December 2000	27,785	168,004	29,660	1,218	11,233	237,900
At 31 December 1999	1,262	21,999	1,298	–	–	24,559

15. Interests in subsidiaries

	Company	
	2000 HK$'000	1999 HK$'000
Investments at cost – unlisted shares	**1**	1
Due from subsidiaries	**2,465,397**	353,326
Less: provision	**(331,566)**	–
	2,133,831	353,326
Due to subsidiaries	**(6,410)**	–
	2,127,422	353,327

The amounts due from subsidiaries are unsecured, interest free and with no fixed terms of repayment.

The following is a list of the principal subsidiaries of the Group at 31 December 2000 which, in the opinion of the directors of the Company, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

15. Interests in subsidiaries *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held
Direct subsidiaries				
TOM.COM INTERNATIONAL LIMITED	Hong Kong	Operates tom.com portal and event production activities and manages strategic investments of the Group in Hong Kong	10 ordinary shares of HK$1 each	100%
tom.com enterprises limited	British Virgin Islands ("BVI")	Holds the domain name of www.tom.com	1 ordinary share of US$1 each	100%
Indirect subsidiaries				
Super Web Limited	Hong Kong	Operates Metro websites in Hong Kong	2 ordinary shares of HK$1 each	100%
Beijing Super Channel Network Limited	PRC	Development of software, information system, computer network and website products in PRC	Registered capital US$10,000,000	100%
tom.com (china) investment limited	PRC	Investment holding in PRC	Registered capital US$30,000,000	100%
Sharkwave Information Technology (Beijing) Co. Ltd	PRC	Provision of development and services relating to internet, electronic publishing and e-commerce technology in PRC	Registered capital US$2,000,000	100%
tom.com development limited	BVI	Content development in Hong Kong	1 ordinary share of US$1	100%
深圳市新飛網信息技術有限公司 ("Shenzhen Freenet") (Note a)	PRC	Operates 163.net, a free e-mails service provider in PRC	Registered capital RMB1,000,000	100%
ECLink Electronic Network Systems (Shenzhen) Co., Ltd	PRC	Software, electronics and computer network system development in PRC	Registered capital US$3,000,000	100%

15. Interests in subsidiaries *(continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held
Rich Wealth Holdings Limited ("Rich Wealth")	Cayman Islands	Investment holding in Hong Kong	1 ordinary share of US$0.01	100%
Advanced Internet Services Limited ("AIS")	Hong Kong	Investment holding in Hong Kong	10,000,000 ordinary shares of US$0.01	100%
Kunming Fench Star Information Industry Limited ("Fench Star") (Note b)	PRC	Advertising in PRC	Registered capital RMB11,000,000	100%
Y.C. Press Advertising Limited	Hong Kong	Sports advertising and event management in PRC and Hong Kong	6,000 ordinary shares of HK$100 each	70%
廣東羊城報業體育發展有限公司 (Note b)	PRC	Manages sponsorships and marketing of sports events and production of TV sports programs in PRC	Registered capital RMB5,000,000	70%
廣東羊城報業廣告有限公司 (Note b)	PRC	Advertising, corporate image design and sale of products in PRC	Registered capital RMB1,980,000	70%
itravel (HK) Limited	Hong Kong	Operates an international travel website and provision of on-line travel agency services in Hong Kong	500,000 ordinary shares of HK$1 each	55%
Beijing Planet Network Travel Information Technology Limited	PRC	Travel-related software development and provision of consulting services in PRC	Registered capital US$2,250,000	55%

a. Shenzhen Freenet is a PRC domestic enterprise owned legally by Mr Sing Wang, a director of the Company and another two PRC nationals. Due to the various agreements in place (including an option and pledge agreement entered into between AIS and each of the legal shareholders), in the opinion of the directors of the Company, the Company has effective control over the operational and financial policies of Shenzhen Freenet and therefore the latter has been included as a subsidiary of the Company as at 31 December 2000.

b. The equity interest is held by individual nominees on behalf of the Group.

16. Interests in jointly controlled entities

	Group	
	2000 HK$'000	1999 HK$'000
Share of net assets – unlisted shares	**16,269**	–
Loan to a jointly controlled entity	**11,271**	–
	27,540	–

The loan to a jointly controlled entity is unsecured, bears interest at 6.5% per annum and is repayable on demand.

The following is a list of the principal jointly controlled entities of the Group at 31 December 2000:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held
AASTOCKS.com LIMITED	Hong Kong	Operates financial website in Hong Kong	12,000,000 ordinary shares of HK$1 each	50%
Stocks Technology Enterprises Limited	BVI	Holds AASTOCKS.com software license in Hong Kong	1 ordinary share of US$1 each	50%
Shanghai Maya Online Broadband Network Company Limited ("Shanghai Maya Online")	PRC	Operates a website and engages in content provision and development in PRC	Registered capital RMB 47,000,000	50%
Maya Online Broadband Network (HK) Company Limited	Hong Kong	Holds intellectual property in Hong Kong	2 ordinary shares of HK$1 each	50%

17. Interests in associates

	Group	
	2000 HK$'000	1999 HK$'000
Share of net assets – unlisted shares	**5,084**	–

The following is a list of the principal associates of the Group at 31 December 2000:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Effective interest held
She.com International Holdings Limited	BVI	Investment holding in Hong Kong	162 ordinary shares of US$1 each	33.3%
She.com (Hong Kong) Limited	Hong Kong	Operates a fashion website in Hong Kong	2 ordinary shares of HK$10 each	33.3%

18. Investments

	Group		Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity shares outside Hong Kong, at fair value	**2,065**	–	**1**	–
Loan to an investee company	**8,457**	–	**–**	–
	10,522	–	**1**	–

The loan to an investee company is unsecured, interest free and with no fixed terms of repayment.

19. Inventories

	Group	
	2000	1999
	HK$'000	HK$'000
Merchandise	**1,407**	–

At 31 December 2000, the carrying amount of inventories that were carried at net realisable value amounted to HK$838,000 (1999: HK$Nil).

20. Trade and other receivables

	Group		Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from				
Jointly controlled entities	**1,669**	–	–	–
Associates	**560**	–	–	–
Related companies	**908**	–	–	–
Trade receivables	**44,586**	610	–	–
Prepayments and deposits	**23,541**	376	**410**	–
Other receivables	**31,714**	7,857	**915**	389
	102,978	8,843	**1,325**	389

The balances due from jointly controlled entities and associates represent trading balances with normal commercial terms of settlement and are unsecured and interest free. The balances due from related companies represent expenses paid on behalf of the related companies and are unsecured and interest free. The related companies are companies beneficially owned by the substantial shareholders of the Company.

21. Consideration payables

	Group and Company	
	2000 **HK$'000**	1999 HK$'000
Acquisition of wholly-owned subsidiaries (Note a)	**322,279**	–
Acquisition of a jointly controlled entity (Note b)	**195,000**	–
	517,279	–

a. This represents consideration payables with respect to the acquisition of subsidiaries, Sharkwave Asia Pacific Limited and Fench Star which will be satisfied by the issuance of shares of the Company pursuant to the acquisition agreements. On 12 March 2001, an aggregate sum of HK$294,811,000 worth of 53,504,776 shares of the Company in respect of acquisition of Fench Star were issued at HK$5.51 per share.

b. This represents the balance of the consideration payable with respect to the acquisition of a 50% equity interest of Shanghai Maya Online. The directors intend to issue equity shares to settle the consideration payable, subject to further negotiation in respect of share price and time schedule.

22. Trade and other payables

	Group		Company	
	2000 **HK$'000**	1999 HK$'000	**2000** **HK$'000**	1999 HK$'000
Due to related companies	**19,472**	7,496	**–**	–
Trade payables	**86,548**	72	**–**	–
Other accounts payables	**83,866**	154	**23,534**	–
Accruals	**113,984**	18,451	**33,362**	6
	303,870	26,173	**56,896**	6

The amounts due to related companies represent trading balances and expenses paid on behalf of the Group by the related companies and are unsecured and interest free. The related companies are subsidiaries of the substantial shareholders of the Group and an affiliate of a minority shareholder of certain subsidiaries of the Company.

23. Loans from shareholders

These represented unsecured loans from the substantial shareholders of the Company, HWL and CKH, in the amounts of HK$243,201,000 and HK$119,676,000 respectively. The loans were provided to finance the Group's operations and capital investments. They were unsecured, interest free and have been capitalised to their full amounts during 2000 as part of the Reorganisation referred to in note 1 to the accounts and subsequent listing of its shares (Note 24c).

24. Share capital

Company – Authorised

	Ordinary shares of US$1 each		Ordinary shares of HK$0.1 each		Total
	Number of shares	HK$'000	Number of shares	HK$'000	HK$'000
At 1 January 1999	–	–	–	–	–
Increase during the year	50,000	389	–	–	389
At 31 December 1999	50,000	389	–	–	389
At 1 January 2000	50,000	389	–	–	389
Increase during the year	150,000	1,163	5,000,000,000	500,000	501,163
Cancellation during the year	(200,000)	(1,552)	–	–	(1,552)
At 31 December 2000	–	–	5,000,000,000	500,000	500,000

Company – Issued and fully paid

	Ordinary shares of US$1 each		Ordinary shares of HK$0.1 each		Total
	Number of shares	HK$'000	Number of shares	HK$'000	HK$'000
At 1 January 1999	–	–	–	–	–
Issue of shares	50,000	389	–	–	389
At 31 December 1999	50,000	389	–	–	389
At 1 January 2000	50,000	389	–	–	389
Issue of shares	50,000	387	3,159,390,899	315,939	316,326
Repurchase of shares	(100,000)	(776)	–	–	(776)
At 31 December 2000	–	–	3,159,390,899	315,939	315,939

The movements in share capital of the Company during the year ended 31 December 2000 were as follows:-

a. On 18 January 2000, the authorised share capital of the Company was increased to US$200,000 divided into 200,000 shares of US$1 each. 50,000 shares were allotted, issued and credited as fully paid for the acquisition of Alexus pursuant to the Reorganisation referred to in note 1 to the accounts.

b. On 26 January 2000, the authorised share capital of the Company was further increased to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each and US$200,000 divided into 200,000 shares of US$1 each, of which 7,750,000 shares of HK$0.1 each were allotted and issued at par for cash to the then shareholders of the Company. The Company also repurchased from the then shareholders of the Company all of the 100,000 shares of US$1 each in issue at a price of HK$7.75 per share and such US$1 shares were then cancelled.

24. Share capital *(continued)*

c. On 1 February 2000, 7,750,000 shares were further allotted and issued to the then shareholders of the Company, of which the allotment of 4,649,900 shares was satisfied by capitalisation of loans from shareholders amounting to HK$501.7 million. The remaining 3,100,100 shares were issued at par for cash. In addition, HK$228,450,000 of the share premium arising out of the above loan capitalisation was applied towards the issue of 2,284,500,000 shares of the Company at par to the then shareholders.

d. On 9 February 2000 and 6 March 2000, 121,000,000 and 6,530,899 shares of the Company were allotted and issued to a strategic investor for cash considerations of HK$129,470,000 and HK$11,625,000, respectively.

e. On 1 March 2000, 428,000,000 shares of the Company were allotted at HK$1.78 each to public and traded on the GEM of the Stock Exchange.

f. On 10 March 2000, pursuant to the exercise of over-allotment option by BNP Prime Peregrine Securities Limited, 64,200,000 shares at HK$1.78 each were allotted and issued.

g. On 19 September 2000, 95,800,000 shares were allotted and issued to strategic investors at a price of HK$5.08 each pursuant to a subscription agreement.

h. On 3 March 2000, 31 October 2000, 2 November 2000 and 8 December 2000, 21,400,000, 44,640,000, 61,686,000 and 16,134,000 shares were allotted and issued at HK$1.78, HK$5.3, HK$5.69 and HK$5.5 per share, respectively, as part of the considerations for the acquisitions of subsidiaries and associates.

25. Share option scheme

Pursuant to written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, Employee Share Option Scheme ("Share Option Scheme") and Pre-IPO Share Option Plan were adopted by the Company, details of the schemes are as follows:

a. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme, the Company may grant options to any full-time employees of the Company or its subsidiaries, including executive directors, to subscribe for shares in the Company. Options granted are exercisable at any time during a period to be notified by the board of directors to the grantees provided that the period within which the options must be exercised shall be not less than three years and not more than ten years from the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 50% of the issued share capital of the Company from time to time.

During the year, options carrying rights to subscribe for an aggregate of 184,992,000 shares of the Company (which include options granted to the directors of the Company as disclosed in the report of the directors) were granted under the Share Option Scheme. The options can be exercised at prices ranging from HK$4.685 to HK$11.3 per share at any time within the option period of three to ten years from the respective dates of grant, provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period.

25. Share option scheme ***(continued)***

During the year, none of these options were exercised and an aggregate of 32,904,000 options were lapsed upon the termination of the relevant employees' employment with the Group. As at 31 December 2000, options to subscribe for 152,088,000 shares of the Company (which includes the options granted to the directors of the Company as disclosed in the report of the directors) were outstanding.

b. PRE-IPO SHARE OPTION PLAN

On 11 February 2000, options carrying rights to subscribe for an aggregate of 78,696,000 shares of the Company (which include options granted to Mr. Guy Look, a director of the Company, and Mr Carl Chang, a past director of the Company, as disclosed in the report of the directors) at a subscription price of HK$1.78 per share were granted by the Company under the Pre-IPO Share Option Plan. All of these options have a duration of ten years from 11 February 2000.

During the year, options to subscribe for 6,054,000 shares of the Company at a subscription price of HK$1.78 per share were exercised by a past director of the Company and an aggregate of 24,216,000 options were lapsed. As at 31 December 2000, options to subscribe for an aggregate of 48,426,000 shares of the Company were outstanding.

26. Reserves/(deficits)

	Group					
	Share premium account	Capital reserve	Capital redemption reserve	Exchange difference	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 1999	61,840	10	–	225	(23,614)	38,461
Loss for the year	–	–	–	–	(53,060)	(53,060)
Listing expenses	(9,505)	–	–	–	–	(9,505)
At 31 December 1999	52,335	10	–	225	(76,674)	(24,104)
Analysed by						
Company and subsidiaries at 31 December 1999	52,335	10	–	225	(76,674)	(24,104)
At 1 January 2000	**52,335**	**10**	–	**225**	**(76,674)**	**(24,104)**
Arising from the Reorganisation (Note a)	–	**(387)**	–	–	–	**(387)**
Issue of shares by capitalisation of shareholders' loans	**501,245**	–	–	–	–	**501,245**
Application of share premium towards issue of shares	**(228,450)**	–	–	–	–	**(228,450)**
Issue of shares to the then shareholders and investors for cash	**128,342**	–	–	–	–	**128,342**
Issue of shares pursuant to initial public offering	**719,040**	–	–	–	–	**719,040**
Over-allotment placement of shares	**107,856**	–	–	–	–	**107,856**
Placement of shares in September 2000	**477,084**	–	–	–	–	**477,084**
Issue of shares for acquisition of subsidiaries	**664,077**	–	–	–	–	**664,077**
Issue of shares for acquisition of associates	**35,952**	–	–	–	–	**35,952**
Share issuing expenses	**(107,515)**	–	–	–	–	**(107,515)**
Share repurchase	–	–	**776**	–	**(776)**	–
Loss for the year	–	–	–	–	**(436,074)**	**(436,074)**
Goodwill set off against reserves (Note c)	**(1,365,695)**	–	–	–	–	**(1,365,695)**
Exchange differences	–	–	–	**(253)**	–	**(253)**
At 31 December 2000	**984,271**	**(377)**	**776**	**(28)**	**(513,524)**	**471,118**
Analysed by						
Company and subsidiaries	**984,271**	**(377)**	**776**	**(28)**	**(491,104)**	**493,538**
Jointly controlled entities	–	–	–	–	**(16,190)**	**(16,190)**
Associates	–	–	–	–	**(6,230)**	**(6,230)**
At 31 December 2000	**984,271**	**(377)**	**776**	**(28)**	**(513,524)**	**471,118**

26. Reserves/(deficits) ***(continued)***

	Company				
	Share premium account	**Contributed surplus**	**Capital redemption reserve**	**Retained profit/ (accumulated losses)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 1999	–	–	–	–	–
Profit for the year	–	–	–	5	5
Listing expenses	(9,505)	–	–	–	(9,505)
At 31 December 1999	(9,505)	–	–	5	(9,500)
At 1 January 2000	**(9,505)**	–	–	**5**	**(9,500)**
Arising from the Reorganisation (Note b)	–	**23,565**	–	–	**23,565**
Issue of shares by capitalisation of shareholders' loans	**501,245**	–	–	–	**501,245**
Application of share premium towards issue of shares	**(228,450)**	–	–	–	**(228,450)**
Issue of shares to the then shareholders and investors for cash	**128,342**	–	–	–	**128,342**
Issue of shares pursuant to initial public offer	**719,040**	–	–	–	**719,040**
Over-allotment placement of shares	**107,856**	–	–	–	**107,856**
Placement of shares in September 2000	**477,084**	–	–	–	**477,084**
Issue of shares for acquisition of subsidiaries	**664,077**	–	–	–	**664,077**
Issue of shares for acquisition of associates	**35,952**	–	–	–	**35,952**
Share issuing expenses	**(107,515)**	–	–	–	**(107,515)**
Share repurchase	–	–	**776**	**(776)**	–
Loss for the year	–	–	–	**(252,760)**	**(252,760)**
At 31 December 2000	**2,288,126**	**23,565**	**776**	**(253,531)**	**2,058,936**

26. Reserves/(deficits) ***(continued)***

a. The capital reserve of the Group arising from the Reorganisation represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof.

b. The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired pursuant to the Reorganisation on merger, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. Under the Companies Law of the Cayman Islands, the contributed surplus of this nature is distributable subject to the restrictions stated in note (d) below. At group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

c. The goodwill arising on acquisitions substantially funded by issuance of shares of the Company was set off against share premium account on consolidation as permitted by the Companies Law of the Cayman Islands and the articles of association of the Company.

d. The Group's share premium account includes share premium derived by a subsidiary of the Group in Hong Kong amounting to HK$61,840,000, which is restricted from distribution to shareholders of the Company according to the Hong Kong Companies Ordinance. The remaining balance of the share premium account amounting to HK$922,431,000 is distributable to shareholders of the Company under the Companies Law of the Cayman Islands, provided that immediately following the date on which the dividends is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

e. The Company's reserves available for distribution comprise the contributed surplus, share premium account and accumulated losses totalling HK$2,058,160,000 as at 31 December 2000. In the opinion of the directors of the Company, the net reserves of the Company available for distribution to shareholders amounted to HK$692,465,000 (1999: Not applicable), subject to the restrictions stated in note (b) above.

f. The net asset value of the Company as at 31 December 2000 amounted to HK$2,374,875,000 which was in excess of the net asset value of the Group of HK$787,057,000. This is mainly due to goodwill arising from acquisitions of HK$1,365,695,000 had been set off against share premium account on consolidation as a matter of accounting policy.

27. Notes to the consolidated cash flow statement

a. Reconciliation of operating loss to net cash outflow from operating activities

	2000 HK$'000	1999 HK$'000
Operating loss	**(383,336)**	(53,339)
Listing expenses paid	**–**	(9,505)
Restructuring costs	**(37,717)**	–
Provisions for diminution of investments	**7,190**	–
Interest income	**(80,634)**	(410)
Depreciation	**35,796**	6,176
Amortisation of goodwill	**25,914**	–
Loss on disposal of fixed assets	**18,912**	25
Increase in inventories	**(838)**	–
Decrease/(increase) in trade and other receivables	**22,936**	(8,011)
Increase in trade and other payables	**51,915**	24,692
Exchange adjustment	**(253)**	–
Net cash outflow from operating activities	**(340,115)**	(40,372)

b. Purchase of subsidiaries

	2000 HK$'000	1999 HK$'000
Net assets acquired		
Fixed assets	**56,071**	–
Investments	**2,430**	–
Inventories	**569**	–
Trade and other receivables	**117,071**	–
Bank balances and cash	**54,529**	–
Trade and other payables	**(226,285)**	–
Bank loan, unsecured	**(1,410)**	–
Minority interests	**(1,204)**	–
	1,771	–
Goodwill set off against share premium account on consolidation	**1,049,250**	–
	1,051,021	–
Satisfied by		
Cash	**52,419**	–
Allotment of shares	**676,323**	–
Consideration payables	**322,279**	
	1,051,021	–

27. Notes to the consolidated cash flow statement ***(continued)***

The subsidiaries acquired during the year contributed HK$7,771,000 (1999: HK$Nil) to the Group's net operating cash flows, received HK$468,000 (1999: HK$Nil) in respect of the net returns on investments and servicing of finance and utilised HK$4,185,000 (1999: HK$Nil) for investing activities.

c. Analysis of the net inflow in respect of the purchase of subsidiaries

	2000 **HK$'000**	1999 HK$'000
Cash consideration	**52,419**	–
Bank balances and cash in hand acquired	**(54,529)**	–
Net cash inflow in respect of the purchase of subsidiaries	**2,110**	–

27. Notes to the consolidated cash flow statement *(continued)*

d. Analysis of changes in financing during the year

	Share capital including premium and capital reserve		Minority interests		Shareholders' loans		Total	
	2000 HK$'000	1999 HK$'000	**2000 HK$'000**	1999 HK$'000	**2000 HK$'000**	1999 HK$'000	**2000 HK$'000**	1999 HK$'000
At 1 January	**52,734**	61,850	**–**	–	**362,877**	–	**415,611**	61,850
Cash items								
Loans from shareholders	**–**	–	**–**	–	**138,832**	362,877	**138,832**	362,877
Issue of shares	**1,504,960**	389	**–**	–	**–**	–	**1,504,960**	389
Share issuing expenses	**(107,515)**	–	**–**	–	**–**	–	**(107,515)**	–
Repurchase of shares	**(776)**	–	**–**	–	**–**	–	**(776)**	–
Contribution from a minority shareholder	**–**	–	**172**	279	**–**	–	**172**	279
Non cash items								
Capitalisation of shareholders' loans	**501,709**	–	**–**	–	**(501,709)**	–	**–**	–
Shares issued for acquisition of subsidiaries, jointly controlled entities and associates	**714,416**	–	**–**	–	**–**	–	**714,416**	–
Share issuing expenses	**–**	(9,505)	**–**	–	**–**	–	**–**	(9,505)
Goodwill set off against reserves	**(1,365,695)**	–	**–**	–	**–**	–	**(1,365,695)**	–
Minority's share of losses of subsidiaries	**–**	–	**(10,546)**	(279)	**–**	–	**(10,546)**	(279)
Minority's share of net assets of subsidiaries	**–**	–	**10,173**	–	**–**	–	**10,173**	–
Acquisition of subsidiaries	**–**	–	**1,204**	–	**–**	–	**1,204**	–
At 31 December	**1,299,833**	52,734	**1,003**	–	**–**	362,877	**1,300,836**	415,611

28. Commitments

Capital commitments

	Group	
	2000 **HK$'000**	1999 HK$'000
Acquisition of new investments		
Contracted but not provided for	**171,366**	–
Authorised but not contracted for	–	45,843
Acquisition of fixed assets		
Contracted but not provided for	**1,290**	764
Authorised but not contracted for	–	35,236
	172,656	81,843

At 31 December 2000, the Group had commitments in respect of contributions to registered capital of a subsidiary in the PRC totalling HK$198,900,000 (1999: HK$290,598,000). The contribution has to be paid up within two years from 28 July 2000.

Commitments under operating leases

At 31 December 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group		
	2000		1999
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000
Within one year	**323**	**1,880**	–
In the second to fifth year inclusive	**25,996**	**–**	1,319
	26,319	**1,880**	1,319

At 31 December 2000, the Company had no capital commitment and commitment under operating leases.

29. Related party transactions

a. In the opinion of the directors, the following is a summary of significant related party transactions, in addition to those disclosed in notes 1, 15, 20, 22 and 23 to the accounts:

		Group	
	Note	**2000 HK$'000**	1999 HK$'000
Content development and production service fees payable to Beijing ECLink Science and Technology Development Company Limited ("Beijing ECLink")	(i)	**2,489**	6,751
Database sub-license fee payable to China Travel Network Company Limited ("CTN")	(ii)	**2,340**	–
Office rental and service fee payable to related companies	(iii)	**20,125**	352
Service fees payable to related companies	(iv)	**4,197**	3,790
Fees for facility management service and lease line rental payable to related companies	(v)	**4,212**	–
Acquisition from Metro Broadcast Corporation Limited ("Metro") the assets and liabilities relating to Metro websites and event production activities		**–**	310,000
Advertising and events revenue receivable from Metro		**834**	–
Internet content development and advertising expenses payable to Metro	(vi)	**7,100**	–

(i) A director of the Company, Mr Feng Qi, has beneficial interest in Beijing ECLink which provides content development and production services to the Group on cost reimbursement basis.

(ii) CTN, an affiliate of a minority shareholder of certain subsidiaries of the Company, entered into a database sub-license arrangement with a subsidiary of the Company at a fee of US$300,000 per annum.

(iii) The rental and service fee payable to subsidiaries of HWL and CKH for office premises provided to the Group during the year amounted to HK$3,610,000 (1999: HK$352,000) and HK$16,515,000 (1999: Nil), respectively. The office premises were leased to the Group at market rates.

(iv) The service fees were recharged by subsidiaries of HWL on cost reimbursement basis for the provision of network development services, goods and administrative services amounting to HK$724,000 (1999: HK$3,790,000) and HK$3,473,000 (1999: Nil), respectively.

(v) A joint venture of HWL provides internet facilities management and line leasing services to the Group at market rates.

(vi) Metro is a company equally owned by HWL and CKH. The internet content development expenses and advertising expenses payable to Metro amounted to HK$2,100,000 (1999: Nil) and HK$5,000,000 (1999: Nil), respectively.

b. During the year, the Group acquired the entire issued share capital of Rich Wealth, a company effectively controls Shenzhan Freenet (Note 15a), at a total consideration of US$48 million (equivalent to approximately HK$374.4 million) from Freenet Information Technology Company Limited, in which Mr Sing Wang, the director of the Company had approximately 12.06% equity interest.

30. Subsequent events

a. On 16 February 2001, an ordinary resolution was passed at the extraordinary general meeting of the Company to approve a share purchase agreement in respect of the acquisition of a 50% equity interest in Shanghai Maya Cultural Transmission Company Limited from a company beneficially owned by HWL, CKH and other substantial shareholders of the Company, for a consideration of HK$171,366,000.

b. On 2 March 2001, a wholly owned subsidiary of the Company acquired a 50% equity interest in Yazhou Zhoukan Holdings Limited from a third party company at a cash consideration of HK$60,000,000.

31. Approval of accounts

The accounts were approved by the board of directors on 19 March 2001.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting ("Annual General Meeting") of the shareholders of TOM.COM LIMITED ("Tom") will be held at the Ballroom, Level 3, The Ritz Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Friday, 27 April 2001 at 11:00 a.m. for the following purposes: -

1. to receive and consider the audited financial statements and the reports of the directors of Tom ("Directors") and auditors for the year ended 31 December 2000;

2. to re-elect Directors;

3. to appoint auditors and authorise the Directors to fix their remuneration;

4. to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT:

(a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the exercise by the Directors of Tom during the Relevant Period (as hereinafter defined) of all the powers of Tom to allot, issue and deal with additional shares in the share capital of Tom and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of Tom or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of Tom and/or any of its subsidiaries of shares or rights to acquire shares of Tom; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of Tom in accordance with the Articles of Association of Tom in force from time to time; or (iv) any issue of shares in Tom upon the exercise of rights of subscription or conversion under the terms of any existing warrants of Tom or any existing securities of Tom which carry rights to subscribe for or are convertible into shares of Tom, shall not exceed 20% of the aggregate nominal amount of the share capital of Tom in issue at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of Tom;

(ii) the expiration of the period within which the next annual general meeting of Tom is required by the Articles of Association of Tom, or any applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of Tom in general meeting revoking or varying the authority given to the Directors by this resolution.

"Rights Issue" means an offer of shares in Tom, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in Tom on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to Tom, or any recognised regulatory body or any stock exchange applicable to Tom)."

5. to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT:

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of Tom to repurchase its shares on the GEM or any other stock exchange on which the shares of Tom may be listed and recognised by The Securities and Futures Commission of Hong Kong ("Securities and Futures Commission") and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of Tom authorised to be repurchased by Tom pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of Tom at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of Tom;

(ii) the expiration of the period within which the next annual general meeting of Tom is required by the Articles of Association of Tom, or any applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of Tom in general meeting revoking or varying the authority given to the Directors by this resolution."

6. to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT** conditional upon resolutions no. 4 and 5 above being passed, the unconditional general mandate granted to the Directors of Tom to allot, issue and deal with additional shares and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to resolution no. 4 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of Tom repurchased by Tom under the authority granted pursuant to resolution no. 5 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of Tom at the date of the passing of the said resolution."

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

Hong Kong, 30 March 2001

Principal place of business:
48th Floor, The Center,
99 Queen's Road Central,
Central, Hong Kong

Notes:

1. A member of Tom entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of Tom.

2. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited with the principal place of business of Tom at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.