

TOM.COM LIMITED

(incorporated in the Cayman Islands with limited liability)



Half-year Report 2001

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

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

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM.COM LIMITED ("Tom") and its subsidiaries (collectively referred to as the "Group") for the second quarter and the six months ended 30 June 2001.

The first half of this year has seen a continuous deterioration of the operating environment for Internet companies. The six U.S. interest rate cuts announced since January 2001 combined with a weakening online advertising market have drastically cut two of the main sources of income for most Internet companies. However, I am pleased to report that despite the weak environment, Tom has continued to maintain strong earnings momentum in the second quarter and as a result has delivered a solid performance this quarter. The two macro factors I referred to are no longer significant drivers of Tom's operating results and we are fully on track to achieve EBITDA break-even next year in line with our plan.

Key achievements during the second quarter included:–

- 89% increase in revenue over the previous quarter
- 55% growth in online media revenue despite slow market environment
- 101% growth in offline media revenue
- 15% reduction in loss before interest, taxation, depreciation and amortisation
- Building the foundations of largest Chinese print media platform in Greater China
- Becoming the No. 1 sports marketing company in China
- Leading the Chinese Internet market towards a "fee-paying culture" with the launch of the "TOMNET" virtual ISP services and 163.net pay email services

Financial Highlights

	For the three months period ended	
	30 June 2001	31 March 2001
	HK\$'000	HK\$'000
Turnover	145,177	77,004
Cost of Sales	80,504	38,005
Gross profit	64,673	38,999
Loss before interest, taxation, depreciation and amortisation	47,396	55,650
Loss attributable to shareholders	77,953	70,334

Financial Performance

The Group's unaudited consolidated revenue for the three months ended 30 June 2001 amounted to HK\$145 million, an increase of 89% over the last quarter. In a slow online advertising market, Tom increased online media revenue by 55% to HK\$32 million, reflecting an increase in Tom's market share at the expense of other on-line competitors. Offline media revenue for the quarter doubled to HK\$113 million. Offline media revenue was strengthened with the first-time revenue contribution from Shanghai Maya Cultural Transmission Company Limited and the higher seasonal sports marketing revenue.

Tom achieved a gross profit margin of 45% and reduced its loss before interest, taxation, depreciation and amortisation by 15% over the previous quarter, to HK\$47.4 million. Online operating expenses were below budget although we anticipate higher marketing expenses in the coming quarter. A net loss of HK\$78 million was recorded for the quarter.

Comparing financial performance to the same period last year, revenue for the six months ended 30 June 2001 amounted to HK\$222 million, an increase of about 36 times from HK\$6 million in the corresponding period in 2000. Operating loss in the first half of 2001 was at HK\$119.4 million, reduced from HK\$197.9 million year-on-year. Loss attributable to shareholders in the first half of 2001 was HK\$148.3 million, down from HK\$193.9 million in June 2000. The increase in the revenue was due to organic growth of Tom's online business and contribution from acquisitions of offline media assets. The reduction in operating loss was a result of the increased revenue base and significant reduction in online operating costs due to the implementation of disciplined cost control measures. The substantial increase in sales volume achieved in the period helped to reduce the net loss compared to the same period a year ago.

Business Review

Continuing strong momentum in revenue growth provides evidence that Tom is continuing to achieve growth in all four segments of its cross media strategy-sports, print, online and outdoor media.

During the period, our sales force increased by 10% and Tom extended its sales reach with designated agents in Fujian, Sichuan, Chaozhou, Shantou, Guizhou, Shenzhen and Hainan. The Group is continuing to integrate services and products to meet different customer needs. Our cross-media bundling efforts are on track and we have succeeded in elevating some regional clients on to our national advertising platform in Mainland China.

Sports

We just secured the commercial and marketing rights to the Chinese Basketball Association (CBA) and Chinese Gymnastic Association (CGA). With these additional sports rights, YC Companies (Tom's sports subsidiary) owns the largest number of sports commercial rights in China thereby securing a leading market share. In particular, the commercial rights to basketball are important. Although football rights have historically been the most valuable commercial rights in China, recent TV viewership figures have proven that basketball is now more popular than football with a higher audience rating of 1.1% versus 0.7% for football.

We believe the 2008 Beijing Olympics will significantly increase sports marketing activities in China in the next few years. In anticipation of these developments, we have set up a dedicated team at Tom to complement YC Companies' efforts and to give our sports business a regional and international focus. The staging of the Chinese Gymnastic Show in July in Hong Kong was the first step in this direction.

On sports programming, YC Companies launched a new TV programme titled "Sports Daily" in collaboration with 20 TV stations in China, building on the success of the popular "Sports Report".

Print

During the period we made a major move in print media by acquiring a 49% interest in PC Home and Cité. This will provide the foundation with which we intend to build Greater China's largest print media platform. We have started to work on extending the PC Home and Cité franchise to Mainland China. We are also working on consolidating additional print media properties in Greater China for our PC Home platform. The definitive agreement for the acquisition has been entered into on schedule.

Online

During the period, Tom took the lead in charging Internet users for services in China. We launched two services -163.net pay e-mail services and "TOMNET" Internet access services. With the launch of pay e-mail, we can significantly reduce investment in capital expenditure. Initial user adoption signs have been positive and other competitors have been following our lead in offering pay e-mail.

The "TOMNET" service is a virtual ISP service. We have bundled multiple ISP packages on one platform and offered this Tom-branded "one stop shop" ISP service to users. With the launch of this service we have positioned ourselves as an "access portal". We expect to generate additional revenue from the access business while at the same time growing our online advertising revenue. We are currently No. 2 in the market in terms of online advertising and we are steadily growing market share quarter on quarter.

The launch of “TOMNET” with leading telecom partners is a strategic move to derive further commercial value from our online user base. This virtual ISP platform is the first initiative in our telecom value-added services (VAS) strategy which will extend to other VAS areas such as VoIP, SMS and ASP.

Business Outlook

I believe Tom has now laid a very solid foundation for continuing growth in each segment of its cross-media business. In the near term, we plan to focus on consolidation of the outdoor media businesses in the top 20 cities in Greater China and further consolidation of print media for the PC Home platform.

The ending of the “free-for-all” Internet culture in China and our initial success in building Tom-branded telecom VAS have reinforced our belief in the convergence of media technologies. We will continue our efforts to align ourselves with major telecom operators to widen our telecom VAS revenue base.

I believe this set of quarterly results is one of the best in the industry. On behalf of the Board, I would like to extend my gratitude to the management and staff for their continuing dedication and hard work.

Frank Sixt
Chairman

Hong Kong, 8 August 2001

PROGRESS AGAINST BUSINESS OBJECTIVES

From 1 January to 30 June 2001

Tom has made significant progress in building and developing its business since its IPO. These developments include a continuous and ongoing review and adaptation of Tom's business objectives in response to the changes in the market. The following report only covers the progress against those business objectives that were stated in the IPO prospectus. Those original business objectives which have been put on hold due to Tom's overall business development will only be covered in future reports of their status changes.

Business objectives as stated in the prospectus dated 18 February 2000

Actual business progress

Content Development

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|----|--|--|
| 1. | Continue to develop <i>Destination Guides</i> for major cities in China | Our localized content sites now include Beijing, Hong Kong, Shanghai and Guangzhou. |
| 2. | Adapt existing content and launch Japanese site targeting Japanese users with strong interests in China-related contents | Content development of Japanese site has been put on hold due to unfavourable market conditions. |
| 3. | Commence to package selected content into online learning offerings in the form of short courses | Trials are being conducted on a long-distance learning system. |

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| 4. | Continue to enrich various web sites with new “killer features” | CN TOM has launched four more channels on health, entertainment, roadshow and travel with strategic content partners including <i>Beijing Music Radio</i> and <i>Sports Weekly</i> . Content on the English portal is further enriched. HK TOM also launched four new channels on education, metaphysics, trends and business expertise. |
| 5. | Outsource content translation, content production, application development and other tasks whenever appropriate | Tom has outsourced production of some portal contents including health, fashion, entertainment, literature and translation of the English portal content. |

e-commerce Development

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|----|---|---|
| 1. | Continue to expand and enhance on-line stores by incorporating advanced e-commerce features | We continue to expand our online store offerings in terms of variety and quantity of merchandises. |
| 2. | Explore and develop B2B e-commerce opportunities | Tom has developed B2B e-commerce business with key partners including China Ticket Online, Sichuan Public Information Industry Co. Ltd. and China Netcom Co. Ltd. |
| 3. | Commence content sale to other cyber media players | Opportunities are being explored. |
| 4. | Start to offer premium content services to registered members | Tom will focus on offering premium merchandises to users at this stage. |

Technology Development

1. Start to explore content distribution through broadband interactive networks based on cable and satellite technologies

Tom employs the Content Delivery Network (CDN) System to distribute content to the local ISP of the users.
2. Continue to develop new web applications to support the introduction of new content and new features

Tom's research and development team will continue to develop voice and video applications and web applications such as BBS and interactive programs to enhance portal offerings.
3. Complete system implementation for media asset management and develop alliance with mobile service providers

The SMS (short message system) and WAP system have been employed with strong usage amongst mobile service providers. Also, Tom has bundled its media asset management system with the current content management system.

Resources Deployment

1. Expand content production team

Tom's content production team is maintained at an effective size in both Hong Kong and Mainland China.
2. Complete employment of technical staff

Tom has assembled a strong technical team to support technical research and development.

UNAUDITED CONSOLIDATED RESULTS

For the three months and six months ended 30 June 2001

	Notes	Three months ended 30 June		Six months ended 30 June	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		<u>145,177</u>	<u>5,279</u>	<u>222,181</u>	<u>6,017</u>
Direct expenses		80,504	3,853	118,509	3,913
Interest income		(5,836)	(14,293)	(16,509)	(54,109)
Website development expenses		20,857	47,664	44,473	72,358
Advertising and promotion expenses		18,650	45,782	34,718	74,145
Depreciation and amortisation		27,597	13,447	52,434	25,537
General and administrative expenses		<u>61,192</u>	<u>56,844</u>	<u>107,981</u>	<u>82,084</u>
Operating loss		57,787	148,018	119,425	197,911
Share of losses of jointly controlled entities		10,715	1,318	17,968	1,318
Share of losses of associates		<u>655</u>	<u>4,018</u>	<u>1,578</u>	<u>5,007</u>
Loss before taxation		69,157	153,354	138,971	204,236
Taxation	2	<u>5,886</u>	<u>-</u>	<u>6,497</u>	<u>-</u>
Loss after taxation		75,043	153,354	145,468	204,236
Minority interests		<u>(2,910)</u>	<u>4,833</u>	<u>(2,819)</u>	<u>10,345</u>
Loss attributable to shareholders		<u>77,953</u>	<u>148,521</u>	<u>148,287</u>	<u>193,891</u>
Loss per share	3	<u>2.42 cents</u>	<u>5.05 cents</u>	<u>4.64 cents</u>	<u>7.08 cents</u>

Notes:

1 Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

2 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: Not applicable) on the estimated assessable profits for the period.

People's Republic of China ("PRC") income tax has been calculated on the estimated assessable profits for the period at the rates of taxation applicable to enterprises in the PRC.

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

	Three months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	911	–	911	–
PRC income tax	4,975	–	5,586	–
	<u>5,886</u>	<u>–</u>	<u>6,497</u>	<u>–</u>

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

3 Loss per share

The calculation of the basic loss per share for the three months and six months ended 30 June 2001 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$77,953,000 and HK\$148,287,000 (2000: HK\$148,521,000 and HK\$193,891,000) and the weighted average number of 3,218,949,675 and 3,196,818,977 (2000: 2,941,130,899 and 2,740,141,292) ordinary shares outstanding. The 2,300,000,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its initial public offering of its shares in March 2000, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 January 2000.

The exercise of the share options granted by the Company in 2001 and 2000 would have an anti-dilutive effect on the loss per share for the three months and six months ended 30 June 2001 and 2000.

4 Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2000: Nil).

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2001, the interests of the directors of Tom ("Directors") in the shares and options of Tom 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 Tom under Section 29 of the SDI Ordinance were as follows: –

(1) Directors' interests in shares

Name of Directors	Number of shares of Tom				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Sing Wang (<i>Note 1</i>)	–	–	5,898,000	–	5,898,000
Guy Look (<i>Note 2</i>)	40,000	–	–	–	40,000

Notes:

1. By virtue of the SDI Ordinance, Mr. Sing Wang is deemed to be interested in 5,898,000 shares of Tom held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.
2. Mr. Guy Look resigned as an executive director of Tom effective as of 1 August 2001.

(2) Directors' right to acquire shares

Pursuant to the Pre-IPO Share Option Plan adopted by Tom on 11 February 2000 (as described in Appendix IV to Tom's prospectus dated 18 February 2000), Mr. Guy Look was granted an option to subscribe for 9,080,000 shares of Tom at a subscription price of HK\$1.78 per share exercisable during the period from 11 February 2000 to 10 February 2010 (both dates inclusive).

Pursuant to the employee share option scheme (the "Share Option Scheme") adopted by Tom on 11 February 2000 (as described in Appendix IV to Tom's prospectus dated 18 February 2000), Mr. Sing Wang was granted an option on 30 June 2000 to subscribe for 15,000,000 shares of Tom at a subscription price of HK\$5.27 per share exercisable during the period from 30 June 2000

to 29 June 2010 (both dates inclusive). 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 Tom at a subscription price of HK\$5.30 per share exercisable during the period from 8 August 2000 to 7 August 2010 (both dates inclusive).

Pursuant to the Share Option Scheme, Ms. Michelle Leung was granted an option on 31 May 2000 to subscribe for 7,000,000 shares of Tom at a subscription price of HK\$4.685 per share exercisable during the period from 31 May 2000 to 30 May 2010 (both dates inclusive). In addition, pursuant to the Share Option Scheme, Ms. Michelle Leung was granted an option on 8 August 2000 to subscribe for 5,000,000 shares of Tom at a subscription price of HK\$5.30 per share exercisable during the period from 8 August 2000 to 7 August 2010 (both dates inclusive).

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 Tom 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 Tom 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, during the six months ended 30 June 2001, none of the Directors or their associates was granted options to subscribe for shares of Tom, nor had exercised such rights.

Save as disclosed above, none of the Directors or their associates had, as at 30 June 2001, any interests in the shares of Tom or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

OUTSTANDING SHARE OPTIONS

As at 30 June 2001, options to subscribe for an aggregate of 187,572,000 shares of Tom granted pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme were outstanding. Details of which are as follows:

(1) Pre-IPO Share Option Plan

Options to subscribe for an aggregate of 48,426,000 shares of Tom were outstanding, of which Mr. Guy Look was granted an option to subscribe for 9,080,000 shares of Tom and the balance of 39,346,000 share options were granted to six employees at the date of grant at a subscription price of HK\$1.78 per share. All of these options have a duration of 10 years from 11 February 2000, but shall lapse where the grantee ceases to be employed by the Group or the Hutchison group of companies.

(2) Share Option Scheme

Options to subscribe for an aggregate of 139,146,000 shares of Tom (which includes the options granted to Mr. Sing Wang, Ms. Michelle Leung and Mr. James Sha as disclosed above) were outstanding as at 30 June 2001, breakdown of which are set out below:

No. of share options	No. of employees	Subscription price per share of Tom <i>HK\$</i>	Option period * (commencing from date of grant and terminating ten years thereafter)
7,594,000	134	11.30	23 March 2000 to 22 March 2010
15,000,000	1	8.78	8 April 2000 to 9 April 2003
7,000,000	1	4.685	31 May 2000 to 30 May 2010
5,332,000	113	5.89	26 June 2000 to 25 June 2010
15,000,000	1	5.27	30 June 2000 to 29 June 2010
69,420,000	262	5.30	8 August 2000 to 7 August 2010
4,800,000	1	5.30	9 November 2000 to 8 November 2010
15,000,000	1	5.30	15 November 2000 to 14 November 2010

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the register required to be kept under Section 16(1) of the SDI Ordinance showed that Tom has been notified of the following interests, being 10% or more of the issued share capital of Tom. These interests are in addition to those disclosed above in respect of the Directors:

Name of shareholders	No. of shares held
Li Ka-shing	1,392,000,000 <i>(Notes 1 & 2)</i>
Li Ka-Shing Unity Holdings Limited	1,392,000,000 <i>(Notes 1 & 2)</i>
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	1,392,000,000 <i>(Notes 1 & 2)</i>
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	1,392,000,000 <i>(Notes 1 & 2)</i>
Cheung Kong (Holdings) Limited	1,392,000,000 <i>(Notes 1 & 2)</i>
Cheung Kong Investment Company Limited	464,000,000 <i>(Note 1)</i>
Cheung Kong Holdings (China) Limited	464,000,000 <i>(Note 1)</i>
Sunnylink Enterprises Limited	464,000,000 <i>(Note 1)</i>
Romefield Limited	464,000,000 <i>(Note 1)</i>
Hutchison Whampoa Limited	928,000,000 <i>(Note 2)</i>
Hutchison International Limited	928,000,000 <i>(Note 2)</i>
Easterhouse Limited	928,000,000 <i>(Note 2)</i>
Chau Hoi Shuen	928,000,000 <i>(Note 3)</i>
Cranwood Company Limited	928,000,000 <i>(Note 3)</i>
Schumann International Limited	580,000,000 <i>(Note 3)</i>
Handel International Limited	348,000,000 <i>(Note 3)</i>

Notes:

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

By virtue of the SDI Ordinance, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 464,000,000 shares of Tom held by Romefield Limited.

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

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

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 928,000,000 shares of Tom held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general 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 Tom and 928,000,000 shares of Tom held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general 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 Tom and 348,000,000 shares of Tom held by Schumann International Limited and Handel International Limited respectively.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman and a non-executive Director of Tom respectively, are executive directors of Hutchison Whampoa Limited ("HWL") and directors of certain of its associates as defined under the GEM Listing Rules (collectively referred to as "HWL Group"). Mr. Frank Sixt is also a non-executive director of Cheung Kong (Holdings) Limited ("CKH"). Mr. Edmond Ip, a non-executive Director of Tom, is an executive director of CKH and a director of certain of its associates as defined under the GEM Listing Rules (collectively referred to as "CKH Group"). Both HWL Group and CKH Group are engaged in e-commerce projects and operate general information portals. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Mr. Sing Wang, an executive Director and the Chief Executive Officer of Tom, is a non-executive 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 Tom or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by Tom's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 30 June 2001, an associate and an employee of the Sponsor held 200,000 shares and 10,000 shares of Tom respectively.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of Tom, including options or rights to subscribe for such securities.

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

AUDIT COMMITTEE

Tom 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 the Chief Financial Officer, Mr. Don Lee, and two independent non-executive Directors, namely Mrs. Angelina Lee and Mr. Henry Cheong. The audit committee has met 6 times since its formation.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2001, neither Tom nor any of its subsidiaries purchased, sold or redeemed any of Tom's listed shares.