



# TOM.COM LIMITED

( incorporated in the Cayman Islands with limited liability )

## Third Quarterly Report 2001



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

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

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

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

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## CHAIRMAN'S STATEMENT

I am pleased to announce the third quarterly results of TOM.COM LIMITED ("Tom" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2001.

Tom continued to record steady growth despite a deteriorating global economic environment. Its main market, China, maintained steady economic growth. In the quarter under review, Tom recorded a healthy 10% increase in its total revenue while loss before interest, taxation, depreciation and amortisation and one-time reorganisation costs was reduced by 26%. Organic growth was achieved during the quarter, with revenue generated on the same asset base as in the previous quarter. The new print and outdoor media acquisitions have not been consolidated in the current set of results.

Apart from expanding the Group's revenue base, management executed disciplined cost control measures through integration of resources. As a result, online operational expenditure was reduced by 17% and operating margins improved in substantially all businesses.

Key third quarter achievements included:-

- 10% growth in total revenue via organic growth over the previous quarter
- 43% increase in online revenue
- 17% reduction in online operational expenditure
- 26% cut in loss before interest, taxation, depreciation and amortisation and one-time reorganisation costs
- Integration of the Home Media Group, preparing for new print acquisitions
- Consolidation of outdoor media assets, building a nationwide network in China

## Financial Highlights

	For the three months period ended	
	30 September 2001	30 June 2001
	HK\$'000	HK\$'000
Turnover	<b>159,329</b>	145,177
Cost of Sales	<b>102,251</b>	80,504
Gross profit	<b>57,078</b>	64,673
Loss before interest, taxation, depreciation and amortisation and one-time reorganisation costs	<b>35,297</b>	47,396
Loss attributable to shareholders	<b>76,776</b>	77,953

## Financial Performance

The Group's unaudited consolidated revenue for the three months ended 30 September 2001 amounted to HK\$159.3 million, an increase of 10% over the last quarter. Despite a tough online advertising environment, Tom increased online revenue by 43% to HK\$46.5 million. Offline revenue for the quarter amounted to HK\$112.8 million, about 70% of total revenue in the quarter.

Tom reduced its loss before interest, taxation, depreciation, amortisation and one-time reorganisation costs by 26% to HK\$35.3 million. Loss attributable to shareholders was HK\$76.8 million for the quarter. If the one-time reorganisation costs were stripped out, the loss was actually reduced by about 12%.

Comparing financial performance to the same period last year, revenue for the nine months ended 30 September 2001 amounted to HK\$381.5 million, an increase of about 19 times from HK\$19.2 million in the corresponding period in 2000. Operating loss in the nine months to September was reduced by about 48% to HK\$169.7 million year-on-year. Loss attributable to shareholders in the nine months was reduced by 37% to HK\$225 million from last year. The improvement reflected the broadened revenue base of both its online and offline businesses and a reduction in operating costs.

## **Business Review**

The Group's sales teams sought alliances with media partners in the TV, radio and newspaper sectors in order to offer more comprehensive packages for clients. In the quarter, new advertisers rose by about 28%, further widening the overall advertiser base. At the same time, the loyalty of existing advertisers was increased, with average contract length rising by about 10%.

### ***Outdoor***

Tom continued the consolidation of outdoor media assets in Mainland China in the quarter with the acquisitions of five outdoor media companies. With these acquisitions Tom is building a nationwide outdoor media network in China. This nationwide network will consist of seven companies, spanning five provinces and eight key cities. Total advertising space of Tom's outdoor media assets amounts to more than 134,000 square metres. Tom will continue to identify quality outdoor media assets for acquisition and to pursue a strategy of achieving significant market share nationally in this business.

### ***Online***

During the quarter, a good deal of effort was placed in further functional integration of online operations, resulting in better deployment of resources in several key online functions including content planning and sourcing, content production and technical development and support. The resulting cost reductions achieved reduced loss before interest, taxation, depreciation and amortisation and one-time reorganisation costs by 26%.

Tom's Internet access card "TOMNET" (網游神) gained popularity among China's Internet users. The service not only contributed to group cashflow but also increased overall traffic to Tom's family of portals, further strengthening Tom's position as a leading "access" portal. Tom's enriched content portals attracted strong Internet traffic, with pageviews in September rising to about 1.6 billion.

Subscribers to Tom's pay e-mail service *Zong Heng You* (163縱橫郵) continued to increase. With the successful roll out of pay e-mail service, Tom launched a mobile pay e-mail service, *Sui Shen You* (163隨身郵), which alerts users of new e-mails via mobile phones.

### ***Print***

The integration of PC Home and Cité is under way with good progress made in cost reduction. A centralised functional platform was put in place to service the multiple magazine and book publishing units. This platform will form the foundation for the integration of more print media acquisitions in future.

Tom's existing portfolio of magazine titles covers a wide range of interests including economics, Information Technology, business, finance, pop culture and lifestyle. It plans to broaden the scope of its print media business further, by acquiring leading business, healthcare, travel and teenage titles. Tom will continue to strengthen its print media business through acquisitions.

Tom has also made good progress in China's publishing market. In this quarter, it entered an agreement with a subsidiary of China National Publications Import & Export (Group) Corporation ("CNPIEC") to form a joint venture, CNPIT TOM Culture Co. Ltd. CNPIEC is China's largest publications import and export group.

### ***Sports***

With Tom's niche in sports marketing in China, the Company is well positioned to capture new opportunities in China's sports market. The joint venture with China Sports Industry Co. Ltd. will broaden Tom's sports marketing business further into areas such as representation and marketing of Chinese athletes, news dissemination for the 2008 Olympics, and broadcasting rights for international and domestic sports events.

Tom's sports subsidiaries, YC Companies ("YC"), recorded strong performance during the quarter with the success of the "Philips Inter-University Soccer Game". On sports programming, YC plans to broadcast the "Sports Daily" programme on 40 TV stations by next year.

YC has reached a new agreement with the Chinese Basketball Association ("CBA") with respect to the League A commercial rights. Under the agreement, YC will act as a marketing agent for the basketball rights. The CBA will retain ownership of the rights. The agreement is more favourable as YC will not need to commit an upfront payment for the rights but will earn agency revenue.

### **Business Outlook**

Tom will continue its drive for leadership in each of the four business segments in its cross-media platform. After the acquisitions in the past six months, a solid foundation is now in place in both its print and outdoor media businesses, positioning the Company for growth in the next two quarters.

The changing landscape in China's telecom sector would bring new opportunities to the Company. To capture new market share, Tom will seek partnerships with telecom operators and bundle its online service with telecom value-added services. All these developments point to the fact that Tom is fully on track of achieving cashflow break-even.

I would like to take this opportunity to thank the management and staff for their hard work and continuing dedication in making Tom a world-class cross-media company.

**Frank Sixt**  
*Chairman*

Hong Kong, 8 November 2001



## UNAUDITED CONSOLIDATED RESULTS

For the three months and nine months ended 30 September 2001

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover		<b>159,329</b>	13,221	<b>381,510</b>	19,238
Direct expenses		<b>102,251</b>	8,344	<b>220,760</b>	12,257
Interest income		<b>(3,561)</b>	(10,651)	<b>(20,070)</b>	(64,760)
Website development expenses		<b>19,403</b>	44,814	<b>63,876</b>	117,172
Advertising and promotion expenses		<b>14,905</b>	31,093	<b>49,623</b>	105,238
Depreciation and amortisation		<b>27,934</b>	13,979	<b>80,368</b>	39,516
General and administrative expenses		<b>48,703</b>	51,908	<b>156,684</b>	133,992
Operating loss		<b>50,306</b>	126,266	<b>169,731</b>	324,177
Provision for restructuring costs	2	<b>8,527</b>	31,439	<b>8,527</b>	31,439
Share of losses of jointly controlled entities		<b>8,807</b>	6,142	<b>26,775</b>	7,460
Share of losses of associates		<b>557</b>	11	<b>2,135</b>	5,018
Loss before taxation		<b>68,197</b>	163,858	<b>207,168</b>	368,094
Taxation	3	<b>6,609</b>	–	<b>13,106</b>	–
Loss after taxation		<b>74,806</b>	163,858	<b>220,274</b>	368,094
Minority interests		<b>(1,970)</b>	–	<b>(4,789)</b>	10,345
Loss attributable to shareholders		<b>76,776</b>	163,858	<b>225,063</b>	357,749
Loss per share	4	<b>2.39 cents</b>	5.55 cents	<b>7.03 cents</b>	12.72 cents

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. Provision for restructuring costs**

These represented mainly costs of termination & redundancy incurred in connection with the realignment of resources exercise for the online operations.

**3. 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 September		Nine months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	1,328	—	2,239	—
PRC income tax	5,281	—	10,867	—
	<u>6,609</u>	<u>—</u>	<u>13,106</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.

**4. Loss per share**

The calculation of the basic loss per share for the three months and nine months ended 30 September 2001 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$76,776,000 and HK\$225,063,000 (2000: HK\$163,858,000 and HK\$357,749,000) and the weighted average number of 3,218,949,675 and 3,204,276,941 (2000: 2,953,626,551 and 2,811,822,474) 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 nine months ended 30 September 2001 and 2000.

**5. 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 September 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</i> )	–	–	5,898,000	–	5,898,000

*Note:* 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) Directors' right to acquire shares

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 nine months ended 30 September 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 September 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 September 2001, options to subscribe for an aggregate of 181,420,000 shares of Tom granted 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) 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 at a subscription price of HK\$1.78 per share were outstanding. The options were granted to 7 employees at the date of grant. 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 Whampoa Limited group of companies.

### (2) Share Option Scheme

Options to subscribe for an aggregate of 132,994,000 shares of Tom (which includes the options granted to Mr. Sing Wang, Ms. Michelle Leung and Mr. James Sha as disclosed above) were outstanding as at 30 September 2001, breakdown of which are set out below:

No. of share options	No. of employees	Subscription price per share of Tom HK\$	Option period* (commencing from date of grant and terminating up to ten years thereafter)
6,758,000	124	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
4,850,000	100	5.89	26 June 2000 to 25 June 2010
15,000,000	1	5.27	30 June 2000 to 29 June 2010
64,586,000	237	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 September 2001, the persons or corporations whose interests, being 10% or more of the issued share capital of Tom, as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance or have otherwise notified to Tom were as follows. These interests are in addition to those disclosed above in respect of the Directors:

Name of shareholders	No. of shares held
Li Ka-shing	1,410,364,000 ( <i>Notes 3 &amp; 4</i> )
Li Ka-Shing Unity Holdings Limited	1,410,364,000 ( <i>Notes 3 &amp; 4</i> )
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	1,410,364,000 ( <i>Notes 3 &amp; 4</i> )
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	1,410,364,000 ( <i>Notes 3 &amp; 4</i> )
Cheung Kong (Holdings) Limited	1,410,364,000 ( <i>Notes 3 &amp; 4</i> )
Cheung Kong Investment Company Limited	470,121,000 ( <i>Note 3</i> )
Cheung Kong Holdings (China) Limited	470,121,000 ( <i>Note 3</i> )
Sunnylink Enterprises Limited	470,121,000 ( <i>Note 3</i> )
Romefield Limited	470,121,000 ( <i>Notes 1 &amp; 3</i> )
Hutchison Whampoa Limited	940,243,000 ( <i>Note 4</i> )
Hutchison International Limited	940,243,000 ( <i>Note 4</i> )
Easterhouse Limited	940,243,000 ( <i>Notes 2 &amp; 4</i> )
Chau Hoi Shuen	939,000,000 ( <i>Note 5</i> )
Cranwood Company Limited	939,000,000 ( <i>Note 5</i> )
Schumann International Limited	580,000,000 ( <i>Note 5</i> )
Handel International Limited	348,000,000 ( <i>Note 5</i> )

*Notes:*

- (1) Romefield Limited was interested in HK\$4,000,000 Equity-Linked-Note on Tom issued by SGA, Societe Generale Acceptance N.V. at Strike Price HK\$1.767 due October 2001 and HK\$6,000,000 Equity-Linked-Note on Tom issued by KBC Financial Products International Ltd. at Strike Price HK\$1.767 due October 2001 (collectively referred to as the “Romefield Equity-Linked-Notes”).
- (2) Easterhouse Limited was interested in an aggregate of HK\$6,000,000 Equity-Linked-Notes on Tom issued by SGA, Societe Generale Acceptance N.V. at Strike Price HK\$1.767 due October 2001 and HK\$14,000,000 Equity-Linked-Note on Tom issued by KBC Financial Products International Ltd. at Strike Price HK\$1.767 due October 2001 (collectively referred to as the “Easterhouse Equity-Linked-Notes”).
- (3) 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 470,121,000 shares of Tom held by Romefield Limited and the Romefield Equity-Linked-Notes.

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.

- (4) 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 940,243,000 shares of Tom held by Easterhouse Limited and the Easterhouse Equity-Linked-Notes.

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 470,121,000 shares of Tom and 940,243,000 shares of Tom held by Romefield Limited and Easterhouse Limited respectively as well as the Romefield Equity-Linked-Notes and the Easterhouse Equity-Linked-Notes.

- (5) 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, Cranwood Company Limited is 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 in addition to 11,000,000 shares of Tom held by itself.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen is deemed to be interested in 11,000,000 shares of Tom, 580,000,000 shares of Tom and 348,000,000 shares of Tom held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

Saved 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 September 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 an executive Director, Mr. Lee Kwok Ming, Don and two independent non-executive Directors, namely Mrs. Angelina Lee and Mr. Henry Cheong. The audit committee has met 7 times since its formation.

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

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