TOM.COM LIMITED

Incorporated in the Cayman Islands with limited liability

SHAPING TOM

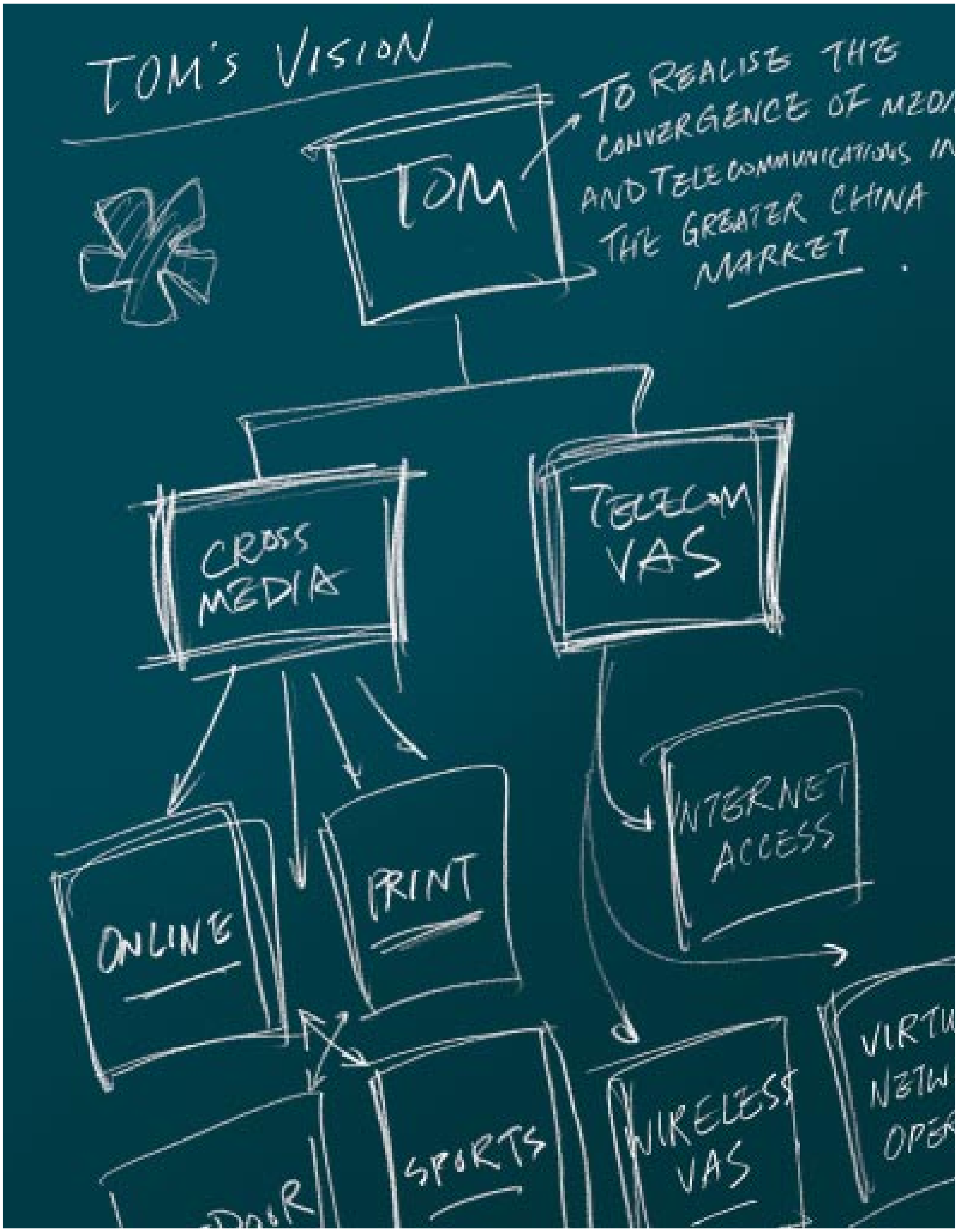
Annual Report 2001

CHARACTERISTICS OF GEM

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

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

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



TOM is taking shape. From the beginning of the Company's creation, the team behind TOM had a vision. TOM is rapidly becoming the leader in the convergence of media and telecommunications in Greater China.

TOM is a diversified Chinese – language media group operating media and telecommunications businesses:

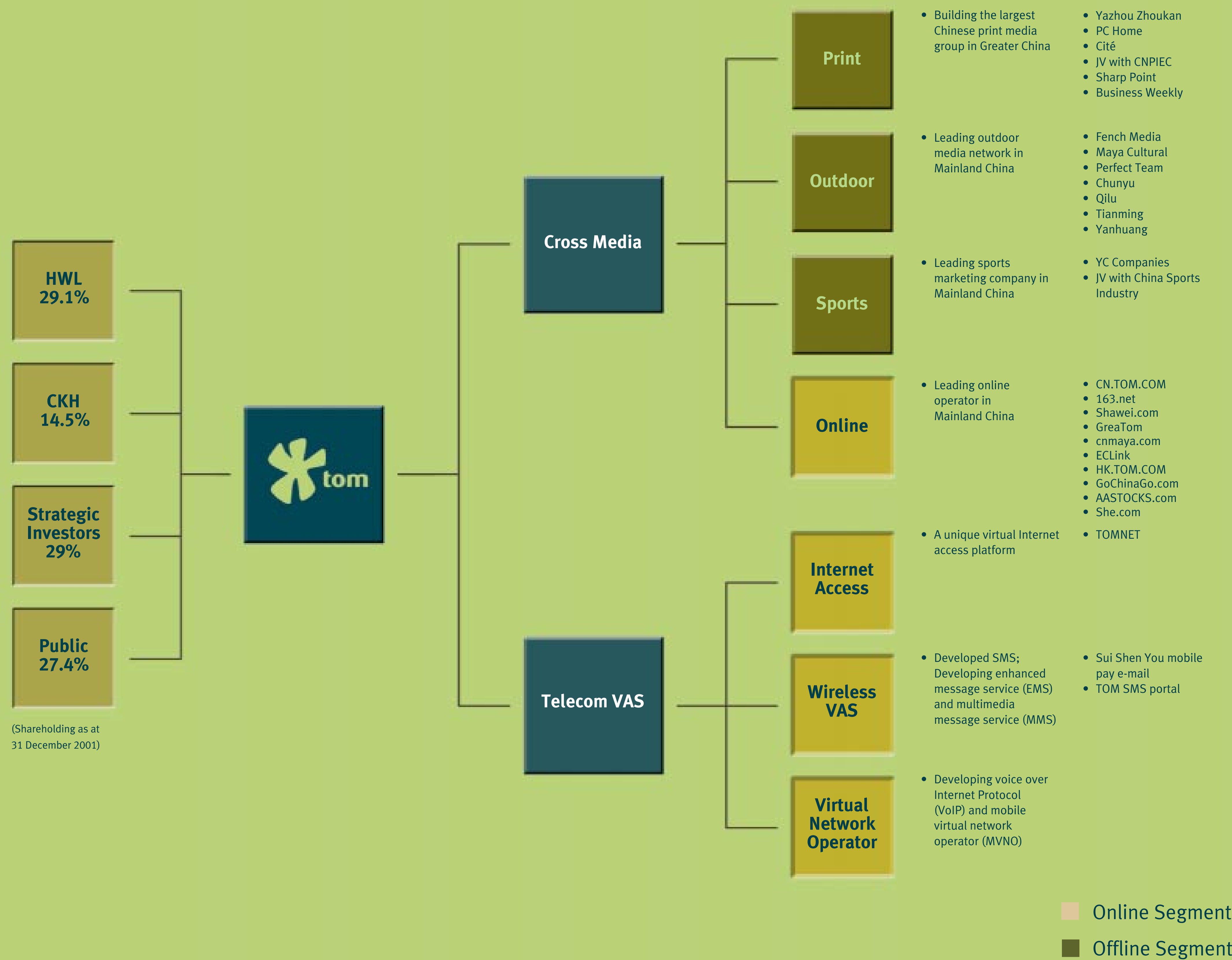
print, outdoor, sports marketing, online and telecom value-added services.

Our vision is to realise the convergence of media and telecommunications in the Greater China market.

For advertisers
TOM provides complete advertising solutions across a range of media assets.

For consumers
TOM provides information, entertainment and Internet access services across multiple distribution platforms.

For shareholders
TOM creates value driven by fundamentals.



(Shareholding as at 31 December 2001)

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CORPORATE INFORMATION

Board of Directors

Chairman

Frank John Sixt

Executive Directors

Sing Wang
Lee Kwok Ming, Don
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

Lee Kwok Ming, Don

Compliance Officer

Lee Kwok Ming, Don

Audit Committee

Lee Pui Ling, Angelina (*Committee Chairman*)
Cheong Ying Chew, Henry
Lee Kwok Ming, Don

Authorised Representatives

Lee Kwok Ming, Don
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

48/F, The Center
99 Queen's Road Central
Central
Hong Kong
Tel: (852) 2121 7838
Fax: (852) 2186 7711

Share Registrars

Central Registration Hong Kong Limited
Rooms 1712-1716, 17/F
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

DEFINITIONS

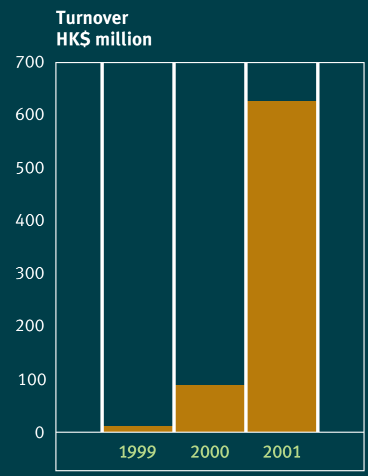
"AA Stocks"	means AA Stocks International Limited
"Associates"	means the same definition as described under the GEM Listing Rules
"Beijing ECLink"	means 北京易網通科技發展有限公司 (Beijing ECLink Science and Technology Development Company Limited)
"Business Weekly"	means 商周文化事業股份有限公司 (Business Weekly Publishing Inc.)
"China Sports Industry"	means 中體產業股份有限公司 (China Sports Industry Company Limited)
"China Travel Network"	means 華夏旅遊網絡有限公司 (China Travel Network Company Limited)
"Chunyu"	means 青島春雨廣告裝飾工程有限公司 (Qingdao Chunyu Advertising & Décor Construction Company Limited)
"Cité"	means 城邦文化事業股份有限公司 (Cité Publishing Limited)
"CKH"	means Cheung Kong (Holdings) Limited
"CNPIEC"	means 中國圖書進出口(集團)總公司 (China National Publications Import & Export Corporation)
"CYTS"	means 中青旅電子商務有限公司 (China Youth Travel Services E-commerce Co.)
"ECLink"	means 易網通電子網絡系統(深圳)有限公司 (ECLink Electronic Network Systems (Shenzhen) Company Limited)
"Fench Media"	means 昆明風馳傳媒有限公司 (Kunming Fench Media Company Limited)
"GDP"	means gross domestic product
"GEM"	means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on the GEM
"Great Wall"	means 長城計算機軟件與系統有限公司 (Great Wall Computer Software & Systems Ltd.) and 長城科技有限公司 (Great Wall Technology Company Limited)
"GreaTom"	means 北京長通聯合寬帶網絡技術有限公司 (Beijing GreaTom United Technology Company Limited)
"Greater China"	means Mainland China, Hong Kong, Macau and Taiwan
"Green Treasure"	means Green Treasure Holdings Limited
"HIBOR"	means Hong Kong Interbank Offered Rate
"HIL"	means Hutchison International Limited
"HKGAAP"	means Hong Kong generally accepted accounting principles
"HMSL"	means Hutchison Multimedia Services Limited
"Hutchison Telecom"	means Hutchison Telecom Limited

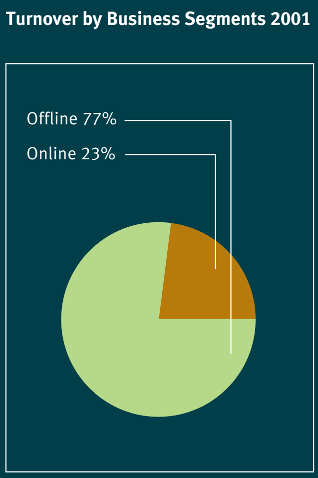
"HWL"	means Hutchison Whampoa Limited
"JV"	means joint venture
"Mainland China"	means the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Maya Audio & Video"	means Shanghai Maya Audio & Video Co., Ltd.
"Maya Cultural"	means 上海美亞文化傳播有限公司 (Shanghai Maya Cultural Transmission Company Limited)
"Shanghai Maya"	means 上海美亞投資有限公司(Shanghai Maya Investment Enterprises Co., Ltd.)
"Maya Online"	means 上海美亞在線寬頻網絡有限公司 (Shanghai Maya Online Broadband Network Company Limited)
"Metro"	means Metro Broadcast Corporation Limited
"PC Home"	means 電腦家庭文化事業股份有限公司 (PC Home Publications Inc.)
"Perfect Team"	means Perfect Team Limited
"Qilu"	means 濟南齊魯新基業戶外廣告有限公司 (Jinan Qilu Xinjiye Advertising Company Limited) and 齊魯國際廣告有限公司 (Qilu International Advertising Company Limited)
"Redsail"	means 北京紅帆網神數據網絡技術有限公司 (Beijing Redsail Netlegend Data Network Technology Company Limited)
"SDI Ordinance"	means the Securities (Disclosure of Interests) Ordinance
"Share Option Scheme"	means the employee share option scheme adopted by TOM on 11 February 2000
"Sharp Point"	means 尖端出版股份有限公司 (Sharp Point Publishing Co., Limited)
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Super Cultural"	means Super Cultural Limited
"Super Web"	means Super Web Limited
"Tianming"	means 河南天明廣告有限公司 (Henan Tianming Advertising Company Limited)
"TOM" or the "Company"	means TOM.COM LIMITED
"TOM Group" or the "Group"	means TOM and its subsidiaries
"TOM International"	means TOM.COM INTERNATIONAL LIMITED
"Yanhuang"	means 北京炎黃時代廣告公司 (Beijing Yanhuang Times Advertising Corporation)
"Yazhou Zhoukan"	means Yazhou Zhoukan Limited
"YC Companies"	means Y.C. Press Advertising Limited, 廣東羊城報業廣告有限公司 and 廣東羊城報業體育發展有限公司

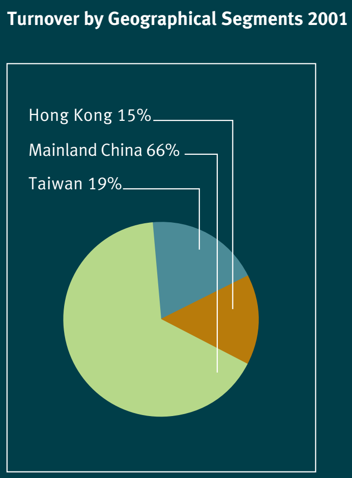
FINANCIAL HIGHLIGHTS

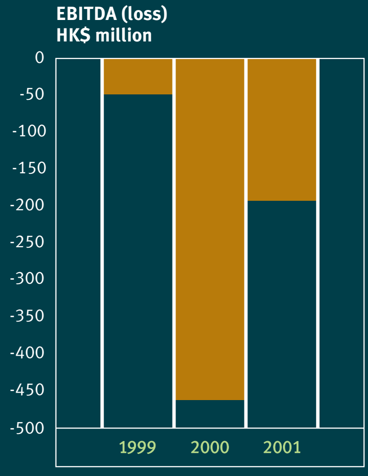
FOR THE YEAR ENDED 31 DECEMBER

	2001 **HK$'000**	2000 HK$'000	1999 HK$'000	**Percentage Change 2001 vs 2000**
Results				
Turnover	**626,624**	89,223	3,240	↑ 602%
EBITDA (loss)	**192,143**	462,397	47,573	↓ 58%
Operating loss	**230,592**	383,336	53,339	↓ 40%
Loss attributable to shareholders	**635,887**	1,265,285	53,060	↓ 50%
Assets and liabilities				
Total assets	**1,667,443**	1,613,766	365,335	
Total liabilities	**1,088,440**	826,709	389,050	
Shareholders' funds/(deficits)	**579,003**	787,057	(23,715)	


Turnover
HK$ million
700
600
500
400
300
200
100
0
1999
2000
2001


Turnover by Business Segments 2001
Offline 77%
Online 23%


Turnover by Geographical Segments 2001
Hong Kong 15%
Mainland China 66%
Taiwan 19%


EBITDA (loss)
HK$ million
0
-50
-100
-150
-200
-250
-300
-350
-400
-450
-500
1999
2000
2001

Gro

Frank John Sixt

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

In 2001, TOM made significant progress toward its objective of becoming a leading media and telecommunications enterprise serving the Greater China Market

TOM has exercised investment discipline during the year in executing its acquisition strategy and has been able to secure value-enhancing investments on attractive terms

In 2001, TOM made significant progress toward its objective of becoming a leading media and telecommunications enterprise serving the Greater China market. Throughout the year, the Company executed parallel acquisition, consolidation, rationalisation and integration strategies to secure significant positions in key media sectors. Its acquisitions, together with organic growth achieved through integration delivered strong revenue growth for the year.

The Company's acquisition targets have primarily been leading and profitable media companies in the sectors of print media and outdoor media. Through the acquisition of 4 of Taiwan's largest publishing groups, TOM now controls 40% of the consumer magazine market and one third of the book market in Taiwan. With the print media management in place and a joint venture with a unit of China National Publications Import and Export Corporation secured, the Company is positioned to penetrate the Mainland Chinese print media market. Outdoor media acquisitions focused on Mainland China with the objective of establishing TOM as the leading outdoor media company in the 20 largest regional cities. By the year-end, the Company was in the process of concluding 5 transactions adding cash-generative assets to TOM's nationwide outdoor network.

TOM has exercised investment discipline during the year in executing its acquisition strategy and has been able to secure value-enhancing investments on attractive terms. The Company has maintained a highly competitive cost of capital by financing its acquisitions with a combination of cash and equity issued at a significant premium (mostly HK$5.51 per share). Stringent terms and conditions including agreements on earn-out, lock up and escrow against performance arrangements have been initiated to safeguard TOM's investments. In parallel, TOM has been pursuing consolidation, rationalisation and integration of its acquisitions with the objective of assuring strong divisional management and enhancing financial and operating performance.

Throughout the year, the Company executed parallel acquisition, consolidation, rationalisation and integration strategies to secure significant positions in key media sectors

Exp

In the online division, good organic growth was achieved. The Company secured a solid market share in online advertising and diversified its revenue streams into Internet access services. In sports marketing, a joint venture with China Sports Industry has reinforced TOM's position as the Company prepares to capture opportunities presented by the 2008 Beijing Olympics. The companies acquired by these divisions in 2000 and their internally developed businesses have been fully integrated into a unified platform with centralised sales, content production, and back office functions.

Financial Highlights

The TOM Group increased total revenue sevenfold to HK$627 million in the financial year ended 31 December 2001. Online revenue grew 1.6 times to HK$144 million. Offline revenue benefited from an enlarged asset base, increasing by 13 times to reach HK$483 million.

Operating loss for the year ended 31 December 2001 narrowed to HK$231 million, a 40% improvement from the previous year. The Company continues to focus on expense control and capital productivity. In particular, TOM's online operations now have one of the most competitive cost structures among leading portals in Greater China. TOM's consolidation, rationalisation and integration efforts will continue to target achievement of industry leading cost structures in each of its divisions.

Loss attributable to shareholders for the year ended 31 December 2001 was halved to HK$636 million, from HK$1,265 million in the previous year. As a result of an assessment of the fair value of the Group's assets, a provision of HK$331 million and HK$829 million has been made for 2001 and 2000, respectively. If provisions were stripped out, the loss would have been reduced to HK$305 million, a 30% improvement.

ansion

Although the technology sector has come under the pressure of capital shortage amidst the Internet shakeout that began in late 2000, TOM has maintained access to capital. A HK$850 million shareholders' loan was secured in December 2001, which, in addition to cash reserves, increased liquidity available at year-end to over HK$900 million.

Outlook

TOM has established a recurrent revenue base in 2001 that should enable the Company to achieve cash flow break-even during 2002. Consolidation, rationalisation and integration will continue through the year, as will selective acquisition activities, particularly in the print and outdoor media sectors. The Company will put special emphasis on broadening and upgrading of its management staff and expertise in each industry sector.

Further expansion will also be sought in the telecom VAS sectors with particular emphasis on wireless and mobile virtual network operator businesses. Finally, the Company will explore opportunities in entertainment media sectors with the objective of adding subscription and content sales to balance the mainly advertising-driven revenue profile of its existing portfolio.

Finally, I would like to thank my fellow directors, management and employees for their continuing dedication and efforts throughout 2001. Together, I believe we are shaping TOM into a leading media and telecommunications group in Greater China, with a very promising future ahead.

Frank John Sixt
Chairman
Hong Kong, 15 March 2002

Funda

We will build a business based on fundamentals, which will deliver growth well into the future for our shareholders

Wang Lei Lei
Deputy Chief Operating Officer & Head of Online Operations

Michelle Leung
Chief Operating Officer & Executive Director

Sing Wang
Chief Executive Officer & Executive Director

Don Lee
Chief Financial Officer & Executive Director

Robert Xie
Chief Investment Officer

The Management Team

mentals

What makes TOM a unique company?

Sing There are global media conglomerates consolidating print, outdoor, online, music and other forms of media. In the Chinese-language world, I believe TOM is the first to realise the consolidation of media in Greater China.

Don Our knowledge base makes TOM unique. At the shareholder and Board level, we have years of collective wisdom and proven experience in creating shareholder value.

Michelle At TOM, we have a team with expertise in executing the vision of the Company. At the divisional level, we have industry veterans in each sector.

How does TOM convince the acquired companies to sell a stake to TOM?

Robert The acquisition targets share TOM's vision and want to become part of the Group. They appreciate that belonging to our Group enables them to achieve a scale that would be difficult to build on their own. They also recognise that TOM has complementary strengths, for example in advertising sales, marketing and financial management.

With TOM growing so quickly, how does Management manage the operations of the Company?

Don The first step in our integration process is to enforce the financial discipline according to HWL and CKH standards. TOM appoints a Financial Controller to each of its newly acquired companies to implement a standardised set of financial policies and procedures. We also conduct pre- and post-closing due diligence and periodical auditing exercises with the assistance of our auditors and HWL.

Michelle We require monthly reporting from our business units and hold quarterly budget meetings and performance reviews. Key performance indicators are benchmarked against international best practices to identify performance enhancement potential and to monitor progress.

How much entrepreneurial freedom do the management teams of the acquired businesses enjoy?

Sing The management of our businesses consists of the best, the most experienced industry veterans. We want to leverage their knowledge and creativity. It is therefore important that we preserve the entrepreneurial sales culture, editorial policies, and creative idea generation and decision-making. In fact, by taking control of the finance function, we give the divisional management greater freedom to focus on what they do best.

Given the market changes in the Internet sector, what opportunities are there for TOM's online division?

Lei Lei The Internet market is undergoing a correction that is conducive to healthy, long-term growth. In this race of endurance, TOM stays ahead with a streamlined cost structure and a sustainable revenue base. We will leverage new technologies to pioneer additional revenue-generating services.

What are TOM's next steps?

Don In the equation for synergy, "1+1 > 2", our focus will be on the "+" sign in the coming few years. There is no short cut in integrating companies. International examples show that integration is a process that can take years.

Michelle Besides the integration of operations, equally important is the integration of corporate cultures. We will continue to cultivate the spirit of partnership among our staff.

Robert On the investment front, we will invest in established, profitable and leading publishing businesses in Mainland China. In the outdoor space, we will continue to consolidate companies that are leaders in key economic cities.

Lei Lei We will roll out online and telecom value-added services that converge creative media and digital know-how. We have to remain on the technology cutting edge.

Sing We will continue to shape TOM's divisions into sector leaders. We do not rule out the possibility of extending further into related media segments should the right opportunity arise. Whatever our next steps, it is certain that we will build a business based on fundamentals, which will deliver growth well into the future for our shareholders.

Focus

Operations Review

Financial Review

60,000 pay e-mail users within 4 months

134,000 square metres of outdoor advertising space

One-third of Taiwan's book market

31 million annual magazine circulation

350,000 registered SMS users

200,000 SMS messages processed daily

No. 1 sports marketing company in Mainland China

15 million online registered user base

Leading nationwide outdoor network in Mainland China

8,000 book titles

A variety of commercial rights

Building No. 1 publishing group in Greater China

9,000 units of diversified outdoor media assets

150,000 active TOMNET users

52 million average TV viewership

Sports TV programmes syndicated to 31 TV stations

80 million daily pageviews

10 million copies of books published in 2001

One of the top portals in Mainland China

40% of Taiwan's consumer magazine market

40 magazine titles

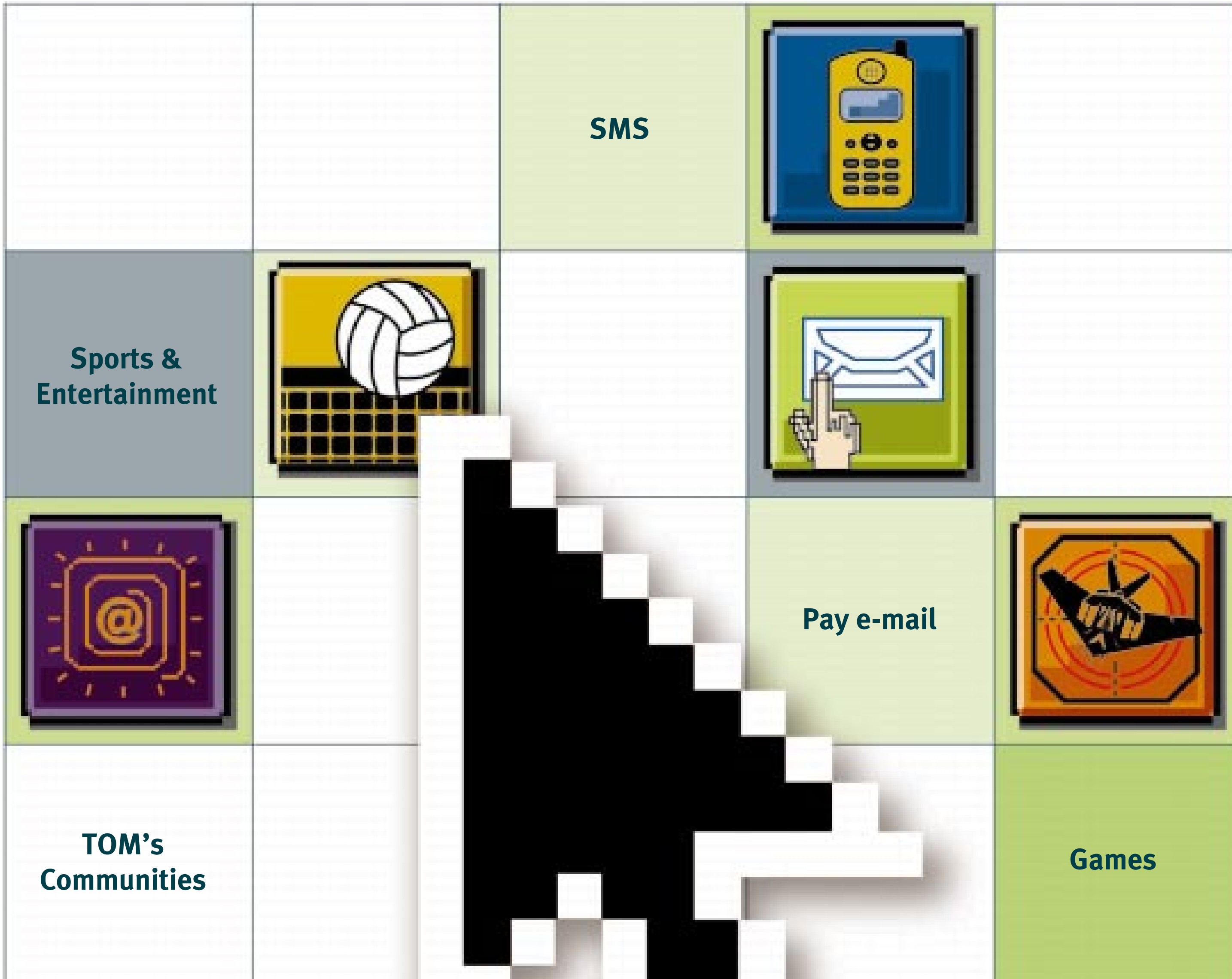
900,000 TOMNET access cards sold within 6 months

No. 1 publishing group in Taiwan

A readership reach of 56 million

ONLINE
- Online Media
- Telecom VAS

OFFLINE
- Print Media
- Outdoor Media
- Sports Marketing



Online

Media

TOM.COM's Mainland China and Hong Kong portals have over 30 localised content channels

Focus was placed on expanding four revenue sources: advertising, subscription, personal and corporate services

Revenue

Overview

TOM is a leading online operator in Greater China. Its portals in Mainland China and Hong Kong, hosted under TOM.COM, have over 30 localised content channels with a range of technology applications. Applications include TOMNET Internet access, TOM SMS portal, TOM-Q online chat via voice and text, TOM voice portal, and MyTOM game personalisation. Integrated into TOM's online platform are 163.net and Shawei.com, the largest e-mail service provider and the leading sports portal in Mainland China.

Estimates of Mainland China's online advertising market diverge, TOM has adopted a conservative estimate of US$40 million in 2001 (*IDC 2001*). Apart from online advertising revenue, TOM also derives revenue from online subscriptions and paid services. By December 2001, daily pageviews numbered 80 million and registered users reached 15 million.

TOM has established a foothold in the developing broadband market through Maya Online, one of Mainland China's largest broadband content providers. It has also partnered with broadband network operator Great Wall to jointly develop broadband Internet value-added services.

Key Developments

During the year, the acquired online businesses in 2000 were fully integrated with TOM's online operations. Functional integration resulted in a significantly improved cost structure and more efficient deployment of resources in the key functions of content planning and sourcing, content production and technical development and support. TOM also took the lead in shifting Mainland China's Internet market towards a fee-paying culture, effectively monetising its user base and online traffic to achieve a higher cost efficiency. Focus was placed on expanding four revenue sources: advertising, subscription, personal and corporate services.

Highlights
2000

- Launched flagship portals
- Acquisition of a 50% interest in Maya Online, Mainland China's leading broadband content provider
- Entered into broadband Internet value-added services market via a JV with Great Wall
- Acquisition of the entire equity interest in Shawei.com, Mainland China's most popular sports portal
- Gained effective control of 163.net, the "Hotmail"of Mainland China

TOM.COM ranked among the top portals in Mainland China in terms of its advertiser base (*Wisecast Media 2001*). The number of online advertisers increased by almost 70% over the previous year to over 300 as at December 2001. The Company centralised its online sales function through integration, enabling each sales team to sell the Company's entire online inventory.

163.net introduced pay e-mail services in July 2001. Pay e-mail users subscribe at a cost of RMB60 or RMB120 per annum, depending on service level, in exchange for enhanced features, larger capacity and improved network security and functionality. Online games "Gleam of Peace" and "Xia Ke Xing" on TOM's Hong Kong and Mainland China portals, respectively, generated additional subscription revenue.

Personal services introduced during the year include TOMNET Internet access, TOM SMS and mobile pay e-mail (see Telecom Value-added Services section for details). These services add value by bringing paying users to TOM's portals and providing a unique positioning. As part of its corporate services, TOM provided outsourcing solutions to companies during the year, including services such as web design and web hosting. ECLink, TOM's business-to-business initiative, provided electronic customs clearance services to over 200 businesses, which enabled the automated submission of customs declarations. The online division in Hong Kong monetised its content production capability by securing the publishing rights to a monthly lifestyle magazine catered for CKH's 85,000 households.

"China Police Report" production crew at work

GreaTom, a 70-30 joint venture between TOM and Great Wall, began development of the operating platform for broadband Internet value-added services during the year. Initial services included distribution of digital audio and video products on the broadband network and web phone service. GreaTom is also exploring additional telecom value-added service opportunities on Great Wall's nationwide broadband backbone.

纵横邮 收费邮箱

2001

Q1 Q2 Q3 Q4

Launched 163.net pay e-mail services

Fully rationalised and integrated operations of acquired portals with TOM's online operations

Two popular online games offered by TOM.COM, "Xia Ke Xing" and "Gleam of Peace"

TOM has emerged as a leading player with viable revenue streams and a lean cost structure

Maya Online, 50% owned by TOM, provides web TV and broadband content which is broadcast on broadband networks on a subscription basis. The company has begun producing the "China Police Report", a TV series on crime fighting jointly produced with the Ministry of Public Security. The daily programme will be broadcast on China Central Television (CCTV) and provincial and local TV stations in 2002. Revenue will be from programme sponsorships, sale of commercial airtime and syndication of broadcast rights.

Management

Wang Lei Lei, aged 28, is the Deputy Chief Operating Officer and Head of Online Operations of TOM. Since joining TOM in January 2000, he has contributed significantly to TOM's development into a leading player in Greater China's Internet industry. He has a strong background in technology research and development. After graduating from Qinghua University with a Bachelor of Science degree in Electronic Engineering, he served as the President and General Manager of Beijing Yan Cheng Zhi Science Company Ltd.

Outlook

TOM has emerged as a leading player, despite a difficult environment in the Internet sector, with viable revenue streams and a lean cost structure. The Company will continue to tap into the research and development expertise of its online team to further develop and enhance user-services. Special emphasis will be placed on achieving cash flow break-even for the online division through strict cost control discipline and further revenue growth.


Ring-tone
Roaming
手機短訊
體育資訊
世界杯投票
TOMNET
資訊
1 新聞
2 天氣
3 財經
Mobile Pay
e-mail

Telecom

VAS

Highlights

2000 2001

Q1 Q2 Q3 Q4

- Launched TOM SMS portal
- Launched TOMNET virtual Internet access service with China Netcom, China Unicom, 263.net and Gosun Online
- Launched mobile pay e-mail service
- Added China Telecom, CERNET and Jitong to TOMNET's list of ISP partners
- TOMNET provides global roaming in partnership with China Mobile and Hutchison Telecom
- TOMNET provides corporate Internet access solution

Wireless

Overview

TOM is building a telecom value-added services platform that provides Internet access, wireless VAS and virtual network operator services. The long term vision is to build a platform that will distribute proprietary content aggregated from TOM's print, sports and online divisions across multiple distribution channels, including narrowband, broadband, wireless application protocol (WAP) and third-generation wireless devices. As a virtual Internet service provider, TOM operates in Mainland China's US$2 billion dial-up Internet market (*IDC 2001*). The Company is also positioned to capture a small share of Mainland China's potentially large wireless data market of US$837 million by 2003 (*BDA 2001*).

TOM's virtual Internet access service, TOMNET, is the first of its kind in Mainland China

Key Developments

TOM launched its virtual Internet access service TOMNET in June 2001. The first service of its kind in Mainland China, TOMNET offers users a one-stop selection of dial-up access among partner Internet service providers (ISPs). With just one account and one bill, TOMNET users can choose from all leading ISPs in 2,500 cities across Mainland China. Users can also enjoy global roaming and customer service from TOM at any time and from any location. Over 900,000 TOMNET access cards were sold within the first 6 months after the initial rollout of the product. The Internet access solution was extended to enterprises in December 2001 to capture the higher margin market.

Other telecom value-added services that TOM has developed to further strengthen its subscription revenue base are SMS and mobile e-mail. SMS draws on TOM's online properties to offer users football lottery and sports news, ring-tone music and picture download, and customised subscriptions to infotainment including news, stocks, weather and learning. This service partners with external content providers such as Beijing music station FM974 to further enhance the content offerings. In the fourth quarter, TOM processed on average 200,000 messages daily from 350,000 registered users. Mobile pay e-mail combines the functionalities of mobile phone, e-mail and SMS to allow users to access their e-mails via mobile phones. The service registered strong user uptake of over 60,000 users in the 4 months of operation in 2001.

Outlook

TOM seeks further growth in the Internet access, wireless applications, and Internet telephony sectors. TOMNET embodies the Company's strategy going forward. The Company will avoid investing in infrastructure building by riding on the infrastructure, technologies and services of partner telecom operators. It will not compete directly with the telecom operators but instead will be complementary and add value through branding, marketing and bundling of unique services into existing basic telecom packages.


marie claire TAIWAN
Bella
No.55 2002/2.1
Mr. Free Q&A
PC home
PC OFFICE
No.54 2002/1.1
Windows XP
PC Shopper
Mom Baby

Print

Media

TOM's magazines are category leaders

Leadership

TOM is building the largest Chinese – language print media group in Greater China with a portfolio of 40 magazines and 8,000 book titles

Overview

TOM is building the largest Chinese-language print media group in Greater China with a portfolio of 40 magazines and 8,000 book titles. Its magazines are leaders in the categories of information technology, business, personal finance, lifestyle, health, and teenage interest. Its 20 book publishing brands cover a spectrum of genres, ranging from classics and contemporary fiction to business and children's pictorial. Combined readership reach is estimated to be over 56 million.

Among TOM's magazine brands are *Business Weekly*, the most profitable Chinese business magazine, *PC Home*, the best-selling computer magazine in Taiwan and *Yazhou Zhoukan*, Asia's weekly newsmagazine. *Smart*, has been the top-selling finance magazine in Taiwan for 4 consecutive years, whilst *Citta Bella* and *Wink Up* are the most widely read fashion and pop culture magazines in Taiwan.

A magazine-book hybrid called *MOOK* has been adapted to a Chinese-language travel guide series. TOM's other well-known imprints are *Rye Field* Press, a book publisher with one of the world's most extensive history titles in Chinese, and *Owl*, an award-winning publisher of literary classics. *Grimm* publishes children's pictorials that tap into the talent of over 100 illustrators worldwide.

The print media market of Mainland China, Hong Kong and Taiwan combined is estimated to be US$30 billion, inclusive of magazine and newspaper advertising expenditure, circulation revenue and book sales (*Zenith Optimedia 2001 and Company estimates*). The majority of Mainland China's 8,000 magazines, 2,000 newspapers and 560 book publishers operate on a small scale. TOM has identified opportunities to consolidate this fragmented market by leveraging the knowledge base and management expertise of Taiwan's publishing groups.

Key Developments

With the acquisition of Yazhou Zhoukan as the entry point, TOM broadened its publishing opportunities through consolidating Taiwan's print media market in 2001. TOM has consolidated 40% of the consumer magazine market and a third of the book market in Taiwan. Acquiring 4 of Taiwan's largest publishing groups - PC Home, Cité, Sharp Point and Business Weekly - has allowed TOM to inherit an operating knowledge base of Chinese-language print media. The management of these groups are industry veterans with experience in a print media market which has undergone a media deregulation process similar to the one unfolding in Mainland China. The intangible assets acquired are fundamental to TOM's expansion into Mainland China.

Highlights

2000

2001

Q1 Q2 Q3

Entered into print media with the acquisition of a 50% interest in Yazhou Zhoukan, publisher of Asia's leading Chinese-language regional newsmagazine

Entered into a JV agreement with a CNPIEC unit as TOM's vehicle for penetrating Mainland China's print media market

Acquisition of a 49% interest in PC Home and Cité, Taiwan's largest magazine and book publishing groups

Integration of TOM's publishers has already begun, with steps taken to centralise common functions onto one publishing platform

In August 2001, TOM further strengthened the foundations for growth in Mainland China by entering into a joint venture agreement with a unit of CNPIEC. TOM agreed to invest HK$4.7 million representing 70% of the venture. CNPIEC is the largest of three of Mainland China's official importer and exporter of publications, controlling 90% of the import of overseas publications into Mainland China. The joint venture will enable TOM to introduce overseas print media to the Mainland China market in the form of localised co-published editions or imported versions on a select basis. TOM will ride on CNPIEC's nationwide distribution network to distribute its publication products. Moreover, CNPIEC's working relationship with local and overseas publishers will help the TOM print division identify potential targets for commercial partnership.

Whilst TOM's publishing groups posted flat advertising revenues as a result of the cyclical advertising downturn in Taiwan and Hong Kong, they countered the general market decline by continuing upward circulation trends. The resilience underscores the strength of the publishing programmes. *Yazhou Zhoukan*, *Business Weekly*, *PC Home*, *PC Shopper*, *PC Gamer*, *Business Next*, *Smart*, *Citta Bella*, *My Home*, *Smart Car*, *Call*, *My Birthday* and *Wink Up* ranked among the five top-selling magazines in their respective categories.

Acquisition Details

The consideration paid for 49% of PC Home and Cité was HK$306 million, of which 57.6% (HK$176.3 million) was paid in cash and 42.4% (HK$129.7 million) in TOM shares at HK$5.51 per share.

The consideration for 100% of Sharp Point was approximately HK$85.3 million, of which 50% (HK$42.6 million) was payable in cash and 25% (HK$21.3 million) each in TOM shares (credited as fully paid at HK$5.51 per share) and in new shares of the print media company to be listed by TOM ("IPO shares"). The number of TOM shares to be issued will be adjusted based on an earn-out arrangement.

Q4

Acquisition of the entire equity interest in Sharp Point, Taiwan's largest youth magazine and book publisher

Acquisition of the entire equity interest in Business Weekly, the most profitable Chinese-language business publications group

Acquisition raises TOM's interest in PC Home and Cité to 52.9%

Some of the best-selling titles from Cité, Taiwan's largest book publisher

TOM valued 100% of Business Weekly's profitable operations at HK$325.4 million, with an option to acquire the investment-stage businesses at HK$44.9 million. The aggregate consideration was up to HK$370.3 million, of which 50% (HK$185.1 million) was payable in cash and 25% (HK$92.6 million) each in TOM shares (credited as fully paid at HK$5.51 per share) and IPO shares. HK$48 million of TOM shares and HK$11 million of IPO shares are held in escrow pending profit performance. Business Weekly's investment in Cité effectively raises TOM's interest in PC Home and Cité to 52.9%.

At the end of 2001, the acquisitions of Sharp Point and Business Weekly were pending completion. The Sharp Point transaction subsequently closed on 6 February 2002.

Integration

TOM initiated the rationalisation of PC Home and Cité's operations in June 2001 before the acquisition closed. The 2 publishers have successfully eliminated overlapping functions in the areas of content development, warehousing, sales and marketing, and finance. Common facilities such as office space have been consolidated. Rationalisation has streamlined headcount by 20% and delivered an initial 10% point margin improvement over the previous year. In parallel, financial management and performance monitoring systems consistent with TOM's standards have been introduced.

Integration of TOM's publishers has already begun, with steps taken to centralise common functions onto one publishing platform. The platform provides management services to TOM's publishers in the areas of procurement, production, distribution, sales, and back-office operations. Underpinning the platform will be an enterprise resource planning (ERP) system, which will integrate the publishing groups onto a unified technology platform to enable various teams to share information and optimise processes.

As an integrated entity that publishes 31 million copies of magazines and 10 million copies of books a year, TOM's publishing groups achieve cost synergies through heightened bargaining power. Re-negotiations of terms with suppliers and distributors have ensued. Paper and printing costs are targeted to decrease by 5% to

10%. Discounts given to distribution channels are expected to narrow to 30%, well below the industry average of 45%.

Management

Jan Hung Tze, aged 45, is the Chief Executive Officer of TOM's print division and PC Home as well as the Chairman of Cité. He is a 27-year veteran in Taiwan's media industry. He has extensive experience in various media businesses, including newspaper publishing with United Daily and China Times, music publishing with Rock Music, TV production with CTS TV, and book and magazine publishing with Yuan-Liou Publishing and Business Weekly. Through planning and editing over 1,000 books, writing 11 influential novels and social commentaries and producing 9 movies, Mr. Jan has earned a reputation as the media guru of the Chinese-language world. His vision of creating the largest publishing group in Taiwan began with one magazine in 1996 and became a reality in 5 years.

As an integrated entity that publishes 31 million copies of magazines and 10 million copies of books a year, TOM's publishing groups achieve cost synergies through heightened bargaining power

Ho Fei Peng, aged 49, is the Chief Executive Officer of Cité and the Chairman of PC Home. Prior to co-founding PC Home and Cité with Jan Hung Tze, he was the Founder, President and Editor-in-Chief of *Business Weekly*. His 24 years of journalism, publishing and management experience has placed Cité on par with international publishers.

James Jin, aged 49, is the Chairman of Business Weekly. He has extensive experience in the management of leading business and lifestyle publications gained from his previous positions with China Times and Tian Xia, a publishing group in Taiwan. He has cultivated strong relationships with international publishers, including the *Economist* and publishers of women's titles such as *Marie Claire* and *Shape*.

Michael Huang, aged 50, is the General Manager of Sharp Point. He was a founding member of Taiwan's largest publications distributor (Nong Xue She) before founding Sharp Point. He has some 20 years of experience in youth magazine and book publishing.

Yau Lop Poon, aged 52, is the Editor-in-Chief of *Yazhou Zhoukan*. He has over 20 years of international editing experience. His editorial vision and creativity have ensured a distinctive personality and style for *Yazhou Zhoukan*.

Book Publishing Brand	Genre	Selected Bestsellers
Business Weekly	General trade titles	*The Miner's Son, Secrets of Success of Yi Ping Shop, Health Philosophy of Li Feng-shan, A Girl Called Feeling*
Owl	Reference, literary classics	*Pictorial of Plants in Shi Jing, The Shakespeare Collection, The World of the Bible*
Rye Field	Literature, history, military	*China's Classical Short Essays, Collection of Love Poems*
Grimm	Children and adult pictorial	*Walking Left Walking Right, The Moon has Forgotten, Listen to Jimi Sing*
Marco Polo	Travel literature	*An Area of Darkness, India: A Wounded Civilisation*
Faces	Mystery	*Translating Strategy into Action, From Potter's Field, I Like You*
MOOK	Magazine-book	*MOOK Travel Guide Series, Easy Talker*
Red Ink	Internet stories	*The First Intimate Contact, Love Post, Irish Coffee*
Pili	Puppets	*Dance of Demons*
Easy Books	Learning	*Filing Business Tax the First Time, Buying Tea Leaves the First Time, Reading Financial Statements the First Time*
Parenting Source	Parenting	*The Parents Answer Book, Parent-Child Chi Kung*
Cube	Culinary arts	*500 Secrets of a Chef, Giuliano Gasalis Kitchen*
You Mu Zhu	Teenage fiction	*Ra Shoo Monn, The Dream of the Red Chamber*
H2O Books	Health	*Living with Cancer, The Complete Slimming Strategy*
Hsin Lin	Sex education	*The Love Experience*
Star East	Entertainment	*Opium & Milk, 100% Beauty*
Oak Tree	Religion	*Avalokiteshvara Encyclopaedia, The Diamond Cutter*
Eco Trend	Business	*The Power of Six Sigma, i-mode Strategy*
Red Tree	Lifestyle	*Taiwan Temple, Taiwan Spa*
Sharp Point	Teenage interests	*Endless Love, Slim in a Minute, NIKE 2001*
20 publishing brands		**8,000 titles** **10 million copies a year**

Outlook

TOM will continue to rationalise and integrate its print media operations in Taiwan with the objective of increasing margins through cost synergies in production and distribution. The Company will meet the challenges of the cyclical advertising downturn in Taiwan with strong publishing programmes and a disciplined approach to cost management.

TOM plans to expand to Mainland China through joint ventures with established publishing businesses. Knowledge transfer will be effected as the management of Taiwan's category leaders share their expertise on packaging and marketing strategies. The joint ventures will focus on advertising sales and circulation and not interfere with editorial. With the initial success of the integration of Taiwan's publishing properties, TOM is confident that the mapping of a unified financial control system and a common publishing platform onto its partner businesses in Mainland China will shape it into a leading regional Chinese-language print media group.

Category	Magazine Title	Annual Circulation
IT	*PC Home*	1,440,000
	PC Office	1,020,000
	PC Shopper	1,020,000
	Download	960,000
	PC Gamer	600,000
	Total Post	180,000
Business	*Business Weekly*	5,616,000
	Yazhou Zhoukan	5,200,000
	Business Next	960,000
Finance	*Smart*	1,140,000
	Listed Companies Review	340,000
	Mutual Fund	150,000
Lifestyle	*Citta Bella*	720,000
	Marie Claire	720,000
	My Home – Interiors	720,000
	My Home – Accessories	390,000
	Mono	180,000
Health	*Shape*	720,000
	Mom Baby	600,000
	Sex Education	200,000
Travel	*MOOK Traveller*	240,000
Gadgets	*Smart Car*	720,000
	Call	636,000
	Easy Talker	600,000
	3C GOGO	480,000
	Smart Style	360,000
	Do Re Mi	320,000
	3C Mall	180,000
Youth	*Wink Up*	720,000
	COOL	456,000
	My Birthday	444,000
	Play	288,000
	Very: Psychological Test	228,000
	Choc	138,000
	Totally Astrology	126,000
	Love Post	120,000
	Mr Pulo	108,000
	Cool Toys	71,000
	CG Magazine	48,000
	Cardmania	42,000
Special publications	*Car MOOK, Dr. J, DIY, and more*	1,865,000
Total	**Over 40 titles**	**31,066,000**

rtise

Jan Hung Tze

Chief Executive Officer of TOM's Print Media Division

Print Media in Taiwan

The print media landscape in Taiwan is undergoing a wave of restructuring. Increasingly, publications are carving out specialised niches to serve advertisers focused on reaching a targeted audience. Another trend is the realisation of scale through consolidation demonstrated by the recent flurry of merger and acquisition activity. The Taiwanese publishers joining the TOM Group have stayed ahead of these trends, with promising growth in market share and profitability achieved through cost synergies.

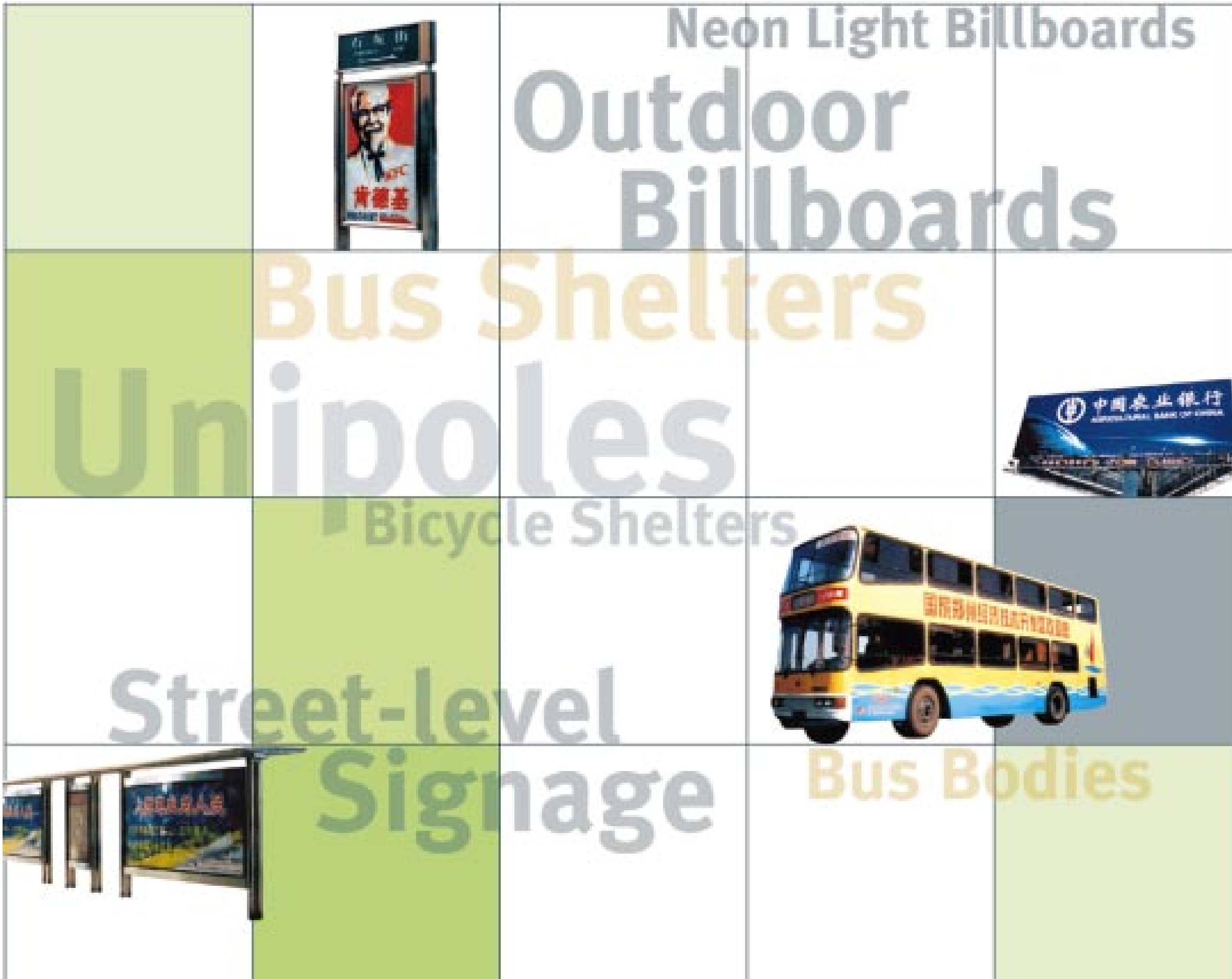
Print Media in Mainland China

Amidst the print media market reshuffle in Mainland China, incumbent magazines are constantly challenged by new entrants. The fast transforming publishing approach and publisher-reader relationships create a pressing demand for foreign marketing and technical know-how. Various forms of partnership between domestic and foreign publishers are emerging, which promise to positively impact the production process, content packaging, and sales and marketing. Advertising sales are expected to grow significantly as both foreign and domestic companies step up their marketing efforts.

A Chinese-Language Print Media Group in Greater China

The growth of Mainland China's economy gives rise to a surging demand for knowledge and information to the benefit of publishers. On the back of heightened knowledge exchange in the Chinese-language world, a publishing group that aggregates the best publishing practices in the region will play an important role in the development of Chinese-language print media. The progress that TOM's print media division has made in building such a group places it ahead of competitors.

TOM's print media division comprises the best management team in the Chinese-language world. We intend to achieve revenue growth and cost synergies upon consolidating and integrating our print media assets. I am confident that we will serve as a successful model for consolidation of print media in Greater China.



Outdoor Media

Nationwide

TOM's outdoor media network covers key economic cities in Mainland China

Overview

TOM is consolidating Mainland China's outdoor media market through acquisitions of leading regional outdoor operators. The Company is building a nationwide outdoor media network, which to-date has approximately 134,000 square metres of advertising space on over 9,000 units of assets. The network initially covers 13 major cities across Mainland China including Beijing, Shanghai, Guangzhou, Chengdu, Jinan, Qingdao, and Kunming. TOM's network is distinct in its diversity of outdoor media assets which cater to different marketing programmes of advertisers.

Outdoor advertising in Mainland China is estimated to grow from US$665 million in 2001 to US$1 billion by 2004 (*Zenith Optimedia 2001*). The market is highly fragmented: 38,000 operators own 1.2 million outdoor media units, with the majority having less than 1% market share. It is estimated that the four leading operators (including TOM) combined have less than 20% of the market. In contrast, the top 5 outdoor companies in the US control over 60% of the market.

Key Developments

TOM continued to expand its outdoor media business in Mainland China with the signing of an agreement with Perfect Team and 4 separate memoranda of understanding with Chunyu, Qilu, Tianming and Yanhuang for the acquisition of majority stakes in August 2001. The 5 companies have profiles consistent with previous acquisitions. They are typically the No. 1 or 2 player in key economic cities, with thousands of quality assets concentrated in city centres, along highways or around airports. The management of these companies are generally young entrepreneurs with over eight years of advertising and outdoor experience. Some have previously held government positions and all have good relationships with the local municipal authorities, enabling the companies to secure long-term concessions for as long as 20 years. In some cases, concessions last indefinitely. Key performance indicators typically include occupancy rates of 70% to 80% and net profit margins of at least 20%.

In addition to acquisition growth, significant concession rights secured during the year will generate strong organic growth. Through Maya Cultural, TOM has received the Shanghai government's approval to expand its portfolio of bicycle shelters, which currently enjoy an 85%

Highlights

2000

Established a presence in Mainland China's outdoor media sector with the acquisitions of Fench Media, the largest outdoor media company in Yunnan province, and Maya Cultural, the only bicycle shelter operator in Shanghai

2001

Q1

Commenced integration of Fench Media and Maya Cultural

Q2

Q3

Acquisition of a 65% interest in Perfect Team, a leading operator in Guangdong province.

Signed 4 separate Memoranda of Understanding with Chunyu, Qilu, Tianming and Yanhuang

Q4

occupancy rate. The Company has also diversified its street furniture assets in Shanghai to include large advertising spaces on the exteriors of 16 centrally located buildings. In Yunnan province, TOM's outdoor subsidiary Fench Media has been granted the exclusive right to build 100 unipoles along all major highways in the province.

Acquisition Details

Subsequent to the signing of the agreement and memoranda of understanding for the above 5 acquisitions in August 2001, TOM re-negotiated the acquisition terms to its favour following the market downturn after September 11. Hence, whilst the acquisition of Perfect Team closed in the fourth quarter, execution of the remaining 4 transactions has been postponed to 2002. TOM subsequently entered into separate agreements with Chunyu, Qilu and Tianming in January, February and March of 2002, respectively.

The consideration paid for 65% of Perfect Team was approximately HK\$50.7 million. The Chunyu, Qilu and Tianming acquisitions are priced at HK\$48.5 million for a 50% stake, HK\$74 million for a 60% stake and HK\$53.2 million for a 50% stake, respectively, of which 28% will be payable in cash and 72% in TOM shares (credited as fully paid at HK\$5.51 per share). Considerations for the Chunyu, Qilu and Tianming acquisitions are subject to adjustment based on profit performance.

Integration

In the first and second quarters, TOM focused on integration of Fench Media and Maya Cultural. Heavy emphasis has been placed on implementing financial control systems in line with HWL and CKH standards and standardised accounting standards in line with HKGAAP. TOM has appointed a Financial Controller to each company to enforce the monthly budgetary and reporting requirements of the Company. Quarterly budget meetings and performance reviews are held to set targets and to monitor risk with key performance indicators. Strict internal control has been implemented through defined levels of authority and policies and procedures. Steps are being taken to replicate the same financial discipline on to newly acquired companies.

At the operational level, TOM has set up an outdoor media holding company to centralise management and unify operations. A proprietary

Maya Cultural's bicycle shelters in Shanghai

outdoor media management system is under development, which will integrate the advertising units and client databases of the outdoor subsidiaries. This system is built to maximise the reach of individual assets, allowing the holding company to perform effective nationwide media buying for strategic clients. Key outdoor advertisers of TOM will also be given access to the system for monitoring updates of individual campaign.

Management

Li Jian, aged 36, is the Founder and General Manager of Fench Media. He led Fench Media's growth into the largest outdoor media company in Yunnan province and one of Mainland China's 50 largest advertising companies within 3 years. He won the 2000 Bauhinia Cup Outstanding Entrepreneur Award granted by the Hong Kong government. He is a committee member of the Chinese People's Political Consultative Conference of Yunnan Province.

James Hu, aged 33, is the General Manager of Maya Cultural. Prior to joining Maya Cultural, he gained 4 years of outdoor advertising experience with Red Lantern Media Limited, a leading regional operator in Mainland China.

Cannon Sum, aged 43, is the Founder and Managing Director of Perfect Team. He established Perfect Team's leading presence in Guangzhou, Chengdu and Beijing over nine years. Prior to entering the outdoor media industry, he spent 10 years in marketing, corporate planning, and finance with international corporations including Proctor & Gamble Inc.

Sam Lam, aged 39, is Vice President of Media Services of TOM's outdoor media holding company. In his 10 years with media communications agencies including Zenith Media and Leo Burnett, he headed key outdoor media business development projects in Asia Pacific, particularly in Mainland China.

Outlook

TOM aims to capture a dominant share of Mainland China's outdoor media market through additional acquisitions supplemented with organic growth. Upon completion of further acquisitions and subsequent integration, TOM's outdoor network would extend to cover over 20 major cities, with centralised management systems in place to further enhance overall occupancy rate and profit margin. Steps will also be taken to build incremental services at the holding company level, including outdoor media consultancy, media planning and buying, design and production, and outdoor campaign management.

TOM's network is distinct in its diversity of outdoor media assets

Sports

Marketing

TOM holds the marketing rights to the Chinese National Gymnastics Squad

As Mainland China enters the Olympic era, TOM is committed to elevating sports marketing in Mainland China to world-class professional standards

Events

Overview

TOM is the largest domestic sports marketing company in Mainland China. Its sports subsidiary YC Companies holds commercial rights to Mainland China's inter-college soccer league, the national table-tennis tournament, volleyball league, bowling championship, and national gymnastic squad. Services offered include event organisation, event promotional support, brand building, media placement and publicity. Sports TV programmes produced by YC Companies in conjunction with CCTV are syndicated to 31 TV stations across Mainland China.

Whilst Mainland China's sports industry is relatively underdeveloped, it is on the verge of significant growth. The government has a 10-year plan to commercialise the sports industry, with a target to grow the industry to 1.5% of GDP by 2010 from the current 0.2% (*Summary of Sports Reform and Development in 2001-2010*). The 2008 Beijing Olympics and major sports events in the run-up to the Olympics will create growing opportunities for TOM in the areas of advertising and marketing, event organisation, and TV programming. The increasing popularity of Chinese athletes has also paved the way for commercial opportunities in athlete representation.

Key Developments

In November 2001, TOM entered into a joint venture agreement with China Sports Industry, a subsidiary of the China National Sports Bureau and Mainland China's only listed sport management company. TOM invested HK$24 million representing 50% of the venture. The venture will engage in inbound and outbound syndication of sports TV programming as well as the representation and promotion of Mainland China's top athletes. The venture will leverage China Sports Industry's close relationship with the Olympic Economic Development Committee to provide sports consultancy services in the run-up to the 2008 Beijing Olympics.

TOM obtained the marketing rights to the Chinese National Gymnastics Squad in July 2001. On the eve of the announcement of the 2008 Olympic

Highlights

2000

Became Mainland China's largest integrated sports marketing company with the acquisition of YC Companies and Shawei.com

2001

Q1

Q2

Produced and syndicated "Sports Daily News" programmme to over 31 TV stations across Mainland China

Q3

Secured marketing rights to Chinese Gymnastic Association

Q4

Secured role as marketing agent of Chinese Basketball Association

The coming years should also see TOM making further inroads into sports TV programming and syndication

TV Programming

Entered into a joint venture agreement with China Sports Industry to exploit 2008 Olympic Games opportunities

TOM is the largest domestic sports marketing company in Mainland China

host city, the Company organised a KCRC-Chinese Gymnastic Gold Medallists Show. Online and offline resources were deployed to maximise exposure of its client and title sponsor KCRC (Kowloon Canton Railway Corporation) and other advertisers. Through YC Companies, TOM also obtained the exclusive advertising rights to the Official Guide to World Cup 2002 (Mainland China edition). The Guide is the only official World Cup publication with rights granted by the Federation Internationale de Football Association (FIFA). Circulation of the Guide is expected to reach 800,000. Other sporting rights secured for the year include the roles as marketing consultant for the Philips National Football Team, sole agent for the Bu Bu Gao Volleyball League, and marketing agent for the Chinese Basketball Association.

Major sports events in 2001 include the "Philips Inter-College Soccer League Games", "First National Mayor's Cup Table Tennis Friendship Games" and "Great Wall International Youth Table Tennis Championships". In addition, YC Companies has been invited by municipal and provincial sporting authorities to participate in the upgrading of sports stadium and facilities, including the site for the Ninth National Games in Guangzhou.

"Sports Daily News" was launched in June 2001 with Nokia as the title sponsor. The programme, produced by YC Companies, is syndicated to 31 TV stations nationwide, including Beijing, Shanghai and Guangdong TV stations. YC Companies continued to produce the "Philips Sports Report" and other special programmes, including one on the Ninth National Sports Game. TOM's sports related TV programmes capture an average viewership of 52 million people.

Management

Lee Kwong Sang, aged 50, is the General Manager of YC Companies. He has been with YC Companies for 14 year, during which he founded the company's sports marketing business. He has played a key role in shaping the company into a dominant sports event marketer and media and advertising agency in Mainland China. Prior to joining YC Companies, he gained 5 years of media experience with Yang Cheng Evening Post of Guangdong province.

Fung Ling Chi, aged 41, is the Deputy General Manager of YC Companies. She joined the media and advertising agency Y.C. Press Advertising Ltd. in 1988 and spent 6 years building up its client base and establishing media alliances. She subsequently co-founded the sports marketing business of YC Companies with Lee Kwong Sang and has contributed her extensive media contacts and business development expertise to the company's growth over the past 8 years.

Outlook

As Mainland China enters the Olympic era, TOM is committed to elevating sports marketing in Mainland China to world-class professional standards. The Company will continue to organise and market premium sporting events to the shared benefit of sports entities or individuals, and advertisers. The coming years should also see TOM making further inroads into sports TV programming and syndication. TOM will extend the production of TV programmes to cover higher-end sports such as golf and extreme sports. Discussions are also underway with overseas sports programming producers regarding the domestic broadcasting of international sports events.

TOM in Shanghai

TOM's partnership with Shanghai Maya has given the Company unique media content and assets, a multi-channel distribution network, and a strong presence in Mainland China's key economic city

Overview of TOM's Business Partner

Shanghai Maya is a cross media company based in Shanghai with businesses in online and offline media sectors: narrowband and broadband content provision, TV and Video-on-Demand (VOD) programme production, audio-visual chain stores and outdoor advertising.

A flagship store of Shanghai Maya's audio-visual chain

- Maya Online is one of Mainland China's largest broadband content providers with more than 20,000 hours of content. In addition to 8 narrowband web sites, it has built a series of broadband channels covering international news, audio-visual entertainment, police information, travel and more. TV and VOD programmes are sourced from Shanghai Maya's local and international media partners or produced in-house.

Content distribution channels have been secured through partnerships with different broadband networks, including Shanghai Telecom broadband network, and central, provincial and local TV stations, including CCTV, Shanghai Maya intends to establish a platform aggregating externally sourced and

Partner

Maya Online's broadband content production facilities

internally produced content for syndication to TV stations across Mainland China.

- Maya Audio & Video is the first licensed chain store operator specialising in the retailing and rental of audio-visual products in Mainland China. The "Blockbuster" of Mainland China, it has over 200 chain stores in Shanghai with an estimated 70% market share.An e-commerce platform extends the product reach online.

- Maya Cultural owns premium outdoor media assets in Shanghai, including 4,400 units of bicycle shelters, "110" police reporting lightboxes and billboards. It is also the advertising agent for Shanghai Maya's chain of audio-visual stores and other third party media assets.

David Wang is the Founder of Shanghai Maya. He saw the potential of media in Mainland China in the mid 1990's when he began building a home entertainment business. Prior to founding Shanghai Maya, he had worked for the Chinese government. With strong government support and under Mr. Wang's entrepreneurial leadership, Shanghai Maya plans to meet the rapidly growing demands for media and entertainment.

Value to TOM

TOM's acquisition of a 50% interest in Maya Online in July 2000 signalled the beginning of a long-term partnership with Shanghai Maya. In fact, it paved the way for TOM's cross media strategy which took shape with the subsequent acquisition of a 50% interest in Maya Cultural. The partnership has given TOM unique media content and assets, a multi-channel distribution network, and a strong presence in Mainland China's key economic city.

The following discussion and analysis of the TOM Group's financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and the related Notes.

The TOM Group reports its businesses in 2 segments: online and offline.

Revenue

The TOM Group's consolidated revenue for the year ended 31 December 2001 amounted to HK$627 million, a sevenfold increase from HK$89 million in the previous year. Despite a tough online advertising market, TOM increased online revenue by 1.6 times to HK$144 million on the back of full-year contributions from 163.net and Shawei.com and the successful launch of TOMNET.

Offline revenue grew by 13 times to reach HK$483 million, representing 77% of total revenue in 2001. Offline revenue was strengthened with first-time revenue contributions from the print and outdoor operations, namely Fench Media as from 1 January 2001, Yazhou Zhoukan as from 1 March 2001, Maya Cultural as from 1 April 2001, PC Home and Cité as from 1 October 2001, Sharp Point as from 21 November 2001, and Perfect Team as from 1 December 2001, comprising advertising sales, magazine circulation and book sales.

In line with TOM's geographical focus, revenue generated in Mainland China represented 66% of total revenue, whilst operations in Taiwan and Hong Kong contributed 19% and 15%, respectively. As new acquisitions continue to be consolidated, the revenue and geographical mixes may not be indicative of the trends going forward.

Operating Expenses

Despite the Group's significant growth in offline businesses, operating expenses (excluding cost of sales) for the year ended 31 December 2001 dipped by 2% to HK$487 million. This signified that a leaner cost structure was in place to support a larger revenue base compared to the previous year. Ongoing cost reduction initiatives and functional integration reduced website development expenses and advertising and promotion expenses by almost 50%. The online segment is believed to have the most competitive cost structure among leading portals in Greater China. Moreover, the Company invested prudently on deploying the necessary corporate resources to integrate and add value to the acquired businesses.

Operating Loss

Operating loss for the year ended 31 December 2001 was reduced to HK$231 million, a 40% improvement from HK$383 million in the previous year. The reduction in operating loss was a result of the broadened revenue base and significant reduction in online operating costs.

Impairment of Assets

As at 31 December 2001, the TOM Group performed an assessment of the fair value of its intangible assets, including goodwill that had previously been eliminated against reserves. The assessment was based on value in use of the assets as determined at the cash generating unit level (the individual business operations) based on the present value of estimated future cash flows.

As a result of this assessment, a provision of HK$281 million has been made for impairment in goodwill arising from acquisition of a subsidiary engaging in online operations for the year ended 31 December 2001. In addition, the same assessment was also carried out in respect of the goodwill previously eliminated against reserves. As a result, it was determined that a diminution in value had occurred, and in accordance with the transitional provisions of SSAP 30, the TOM Group has retrospectively restated and increased the reported loss for the year ended 31 December 2000 and the opening accumulated losses of the TOM Group as at 1 January 2001 by HK$829 million.

In addition, a provision of HK$50 million for impairment of fixed assets in relation to online operations has been made for the year ended 31 December 2001.

Loss Attributable to Shareholders

Loss attributable to shareholders for the year ended 31 December 2001 was halved to HK$636 million, from HK$1,265 million in the previous year as restated. If the provisions for impairment of goodwill and fixed assets were stripped out, the loss attributable to shareholders would be reduced to HK$305 million, a 30% improvement.

Liquidity and Financial Resources

The TOM Group generally financed its operations and investing activities with internally generated cash flows, balance of proceeds from IPO and a share placement exercise in 2000, bank loans and loans from substantial shareholders of the Company.

As at 31 December 2001, the TOM Group had bank and cash balances of HK$234 million as compared to HK$935 million as at 31 December 2000. During the year, the TOM Group utilised HK$870 million to finance its operations and investment projects.

As announced on 10 December 2001, the Company obtained unsecured loan facilities of up to an aggregate of HK$850 million from its substantial shareholders for general working capital of the TOM Group. The loan will be due in 2003, with an interest rate of 50 basis points over the 3-month HIBOR. As at 31 December 2001, the TOM Group has utilised the loan facilities of HK$100 million. In addition, as at 31 December 2001, the TOM Group had bank and other borrowings (inclusive of long-term and short-term bank and other borrowings) totalling HK$65 million, which were mainly from the newly acquired subsidiaries in 2001. The TOM Group's cash-to-borrowing ratio was 1.4 as at 31 December 2001.

Foreign Exchange Exposure

It is the TOM Group's policy for each operating entity to borrow in local currencies, where possible, to minimise currency risk.

Capital Structure

During the year, the Company issued in total 118,254,909 new ordinary shares of par value of HK$0.1 each, comprising 7,254,000 shares allotted at HK$1.78 each pursuant to the exercise of the share options under Pre-IPO Share Option Plan, and 111,000,909 shares allotted at prices ranging between HK$1.795 and HK$5.51 per share as part of the consideration payable for the acquisition of subsidiaries.

Charges on Group Assets

Certain TOM Group's assets are pledged to banks as security for general banking facilities granted to the TOM Group. As at 31 December 2001, the pledged assets of the TOM Group included bank deposits and cash of HK$63 million.

Contingent Liabilities

Contingent liabilities amounted to approximately HK$81 million as at 31 December 2001, of which HK$72 million was in respect of a litigation proceeding with International Merchandising Corporation on the dispute over the termination of a sponsorship contract. The dispute is currently under arbitration.

Employee Information

As at 31 December 2001, the TOM Group had 1,712 full-time employees. Employee costs, excluding Director's emoluments, totalled HK$177 million (2000: HK$110 million). All of the TOM Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the TOM Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the TOM Group's salary and bonus system which is reviewed annually. A wide range of benefits, including medical coverage, provident funds, and retirement plans, and long service awards are also provided to employees. In addition, training and development programmes are provided on an ongoing basis throughout the TOM Group. Social, sporting and recreational activities were arranged during the year for employees on a TOM Group-wide basis.

TOM also adopted an employee share option scheme whereby the employees of the TOM Group may be granted share options to subscribe for shares in TOM for the purposes of recognising the contribution made by the employees of the TOM Group and retaining the services of the employees who will continue to make valuable contribution to the TOM Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

FIRST HALF OF 2001

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 30 June 2001
Content Development	
1. Continue to develop Destination Guides for major cities in Mainland China	Acquired China Travel Network, Mainland China's leading travel web site covering Mainland China's 33 provinces, 121 cities and over 3,000 scenic locations.
2. Adapt existing content and launch Japanese site targeting Japanese users with strong interests in China-related contents	TOM reviewed its business objectives and decided to focus on targeting the Chinese-language audience in Greater China.
3. Commence to package selected content into online learning offerings in the form of short courses	TOM reviewed its business objectives and decided to focus on offering telecom value-added services to its users.
4. Continue to enrich various web sites with new "killer features"	Partnered with 4 telecom service operators to launch TOMNET Internet access service, positioning TOM as an access portal.
5. Outsource content translation, content production, application development and other tasks whenever appropriate	TOM selectively outsources content translation assignments to external agencies. TOM engages professional writers and commentators to support content production and development in the online and print divisions. Design and production of print and outdoor advertisements are performed internally and externally.
E-commerce Development	
1. Continue to expand and enhance online stores by incorporating advanced e-commerce features	163.net's e-commerce store, 1hao.com, has expanded to offer a wide range of popular offerings, including telecommunications products, electronic gadgets, office supplies, lifestyle products, etc. The online store is supported by a powerful search engine and combines online/offline payment methods and online/offline customer service.
2. Explore and develop B2B e-commerce opportunities	TOM's subsidiary ECLink provides electronic customs clearance services to over 200 businesses in Mainland China. TOM's online division provides ASP services and Internet access services to enterprises.
3. Commence content sale to other cyber media players	Alliances with other online operators have been formed with over 150 link exchanges.
4. Start to offer premium content services to registered members	Paying members who register for TOM's 163.net e-mail service enjoy enhanced features, higher efficiency, larger capacity and improved network security and functions.
Technology Development	
1. Start to explore content distribution through broadband interactive networks based on cable and satellite technologies	Through GreaTom and Maya Online, TOM is already providing multimedia content to broadband users, ahead of schedule.
2. Continue to develop new web applications to support the introduction of new content and new features	New applications include web-mobile short messaging, TOMNET, ring-tone and picture downloads.
3. Complete system implementation for media asset management and develop alliance with mobile service providers	The Company has a media asset management system in place to manage its complementary media assets across online, print, outdoor and sports marketing divisions. This system has enabled TOM to engage in online/offline media advertising sales. The Company provides proprietary content and services such as football lottery, ring-tone download and customised messages on mobile phones.
Resource Deployment	
1. Expand content production team	Integration of TOM's online operations has resulted in greater cost-efficiency in the deployment of resources in content production. In the print division, Yazhou Zhoukan has contributed a highly experienced newsmagazine editorial team. In the outdoor division, the integration of Fench Media and Maya Cultural has given TOM a strong advertisement design and production team. In sports, YC Companies expanded its TV programming production team to launch "Sports Daily News".
2. Complete employment of technical staff	TOM has assembled a strong technical team to support its operations. It also has a dedicated team of technical personnel engaged in research and development of new web technology and solutions.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

SECOND HALF OF 2001

Business objectives as stated in the prospectus dated 18 February 2000	Actual business progress in respect of the six months period ended 31 December 2001
Content Development	
1. Commission multimedia content production to independent producers for appropriate content syndication	Through YC Companies, sports programmes are produced in alliance with China Central Television (CCTV) and syndicated to 31 TV stations in Mainland China.
2. Commence development of new sites in other languages (e.g. French)	TOM reviewed its business objectives and decided to focus on targeting the Chinese-language audience in Greater China.
3. Continue to enrich various web sites with new "killer features"	Partnered with 3 additional telecom service operators to extend TOMNET's coverage to 2,500 cities.
4. Outsource content translation, content production, application development and other tasks whenever appropriate	TOM selectively outsources content translation assignments to external agencies. TOM engages professional writers and commentators to support content production and development in the online and print divisions. Design and production of print and outdoor advertisements are performed internally and externally.
E-commerce Development	
1. Continue to recruit B2C e-commerce alliances to expand e-commerce offerings	163.net's e-commerce store, 1hao.com, has recruited over 20 B2C e-commerce alliances. Brands include China Unicom, China Telecom, China Mobile, Canon, Legend, Xerox, Samsung, Aiwa, Casio and Maybelline.
2. Introduce B2B e-commerce services for Mainland China related trading	ECLink provides an electronic data interchange customs declaration software for shipping companies, import/export companies and manufacturers with import/export licences to facilitate customs clearance.
3. Launch content syndication services to provide packaged content to cyber and other media	Through Maya Online, TOM provides broadband content syndicated to broadband networks. TOM also syndicates sports TV programmes to 31 TV stations across Mainland China through YC Companies. Outdoor media content is repackaged and sold to TOM's other media assets as an online/offline product package.
Technology Development	
1. Start to offer content through various broadband new media	Through GreaTom and Maya Online, TOM offers multimedia content, including web TV, music, games and webcasts, via broadband.
2. Continue to develop new web applications to support the introduction of new content and new features	New web applications that leverage wireless technology have been introduced, including mobile pay e-mail and short message service (SMS). A proprietary web-based outdoor media management system which will support online reservation and monitoring is under development.
Resource Deployment	
1. Complete employment of content production staff	The Company has assembled a strong content production staff in online media, print media, outdoor media and sports TV programming. Acquisitions of publishing groups in Taiwan have brought to the Company a highly creative editorial team. The print media content will be distributed across multiple platforms. Further acquisitions of outdoor media companies in Mainland China have expanded the Company's outdoor content design and production team. Cross-divisional content synergies will be leveraged to distribute content across various media.

DIRECTORS' PROFILE

Frank John Sixt

aged 50, is the Chairman of the Company. He is Group Finance Director of HWL. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited and a Director of CKH, Hutchison Telecommunications (Australia) Limited, Husky Energy Inc. and Partner Communications Company Ltd. 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 48, is a Non-Executive Director of the Company. She is Deputy Group Managing Director of HWL. She is also an Executive Director of Cheung Kong Infrastructure Holdings Limited and Hutchsion Harbour Ring Limited and a Director of Hongkong Electric Holdings Limited and Partner Communications Company Ltd. She is a solicitor and holds a Bachelor's degree in Business Administration.

Chang Pui Vee, Debbie

aged 51, 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 Mainland China 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 49, is a Non-Executive Director of the Company. He has been an Executive Director of CKH since 1993. He is also an Executive Director of Cheung Kong Infrastructure Holdings Limited. He holds a Master of Science degree in Business Administration and a Bachelor of Arts degree in Economics.

Feng Qi

aged 38, is a Non-Executive Director of the Company. Since 1994 he has been the Project Director of Orient-Horizon Ltd., a management consultancy primarily involved in business development in Mainland China. Prior to that, he worked at the China Customs Head Office where he was involved in the development of its customs clearance computer network. He holds a Bachelor of Automation degree from Beijing United University.

Sing Wang

aged 38, is the Chief Executive Officer and an Executive Director of the Company. He is one of the most experienced private equity investors in Greater China. Prior to joining the Company, he was an Executive Director of Goldman Sachs where he was responsible for Goldman Sachs' Mainland China investment projects. He joined Goldman Sachs in 1993 and became Head of Goldman High Technology Group's China High Technology team in 1999. Before joining Goldman Sachs, he was a Manager at Wardley Direct Investment Management Ltd. and a strategic consultant at McKinsey & Co. in Chicago. Mr. Wang graduated from Yunnan University with a Bachelor's degree in Science. Before attending Oxford University, he worked for 2 years for the Chinese Academy of Sciences. He also holds a Master of Science degree in management, and a Bachelor of Arts degree in philosophy, politics and economics, from Oxford University.

Lee Kwok Ming, Don

aged 44, is the Chief Financial Officer and an Executive Director of the Company. Prior to joining the Company, he was Chief Financial Officer of T Holdings Limited, an incubator for technology-related projects, whose shareholders include CKH, HWL and Cranwood Company Limited. He was the former Chief Financial Officer, Company Secretary & Executive Vice President of Guangdong Kelon Electrical Holdings Company Ltd. He is a Fellow of the Hong Kong Society of Accountants, an Associate of the Chartered Institute of Management Accountants (UK) and an Associate of the Institute of Certified Management Accountants (Australia). He holds a Master of Science degree in Business Administration from University of Bath.

Leung Quan Yue, Michelle

aged 36, is the Chief Operating Officer and an Executive Director of the Company. Prior to joining TOM, she was Vice-President of News Corporation in New York working on business development in international media markets. She worked in the Equity Capital Markets Group of Investment Banking at Goldman Sachs in New York and Hong Kong. She also co-founded an Internet company focusing on natural language and artificial intelligence technology. In addition, she worked at United Nations headquarters in New York and served on UN missions in 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 from the London School of Economics and an undergraduate degree in Chinese from Peking University.

Cheong Ying Chew, Henry

aged 54, 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 and a member of the Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited.

Holger Kluge

aged 60, 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) Limited, Fincentric Inc., and Hongkong Electric Holdings Limited. He holds a Bachelor of Commerce degree and a Master's degree in Business Administration.

Lee Pui Ling, Angelina

aged 53, 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 51, 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 2001.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, jointly controlled entities and associated companies are set out on pages 101 to 105.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 66.

The directors do not recommended the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the accounts.

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 28 and 29 to the accounts.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2001 are set out in note 30 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
Mr. Lee Kwok Ming, Don *(appointed on 4 September 2001)*
Mr. Guy Look *(resigned on 1 August 2001)*
Ms. Leung Quan Yue, Michelle
Mr. Holger Kluge*
Mr. Cheong Ying Chew, Henry#
Mrs. Lee Pui Ling, Angelina#
Mr. James Sha*

* 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. Lee Kwok Ming, Don and Ms. Leung Quan Yue, Michelle, all being 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, 1 August 2001 in the case of Mr. Lee Kwok Ming, Don 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).

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the directors are set out on pages 48 to 49.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2001, the interests of the directors and chief executive in the shares and options of the Company and its associated corporations (within the meaning of the 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 Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Sing Wang (Note)	-	-	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 the Company held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

(b) Directors' right to acquire shares

Pursuant to the Share Option Scheme, certain directors of the Company were granted share options to subscribe for the shares of the Company, details of which as at 31 December 2001 are as follows:

		Number of share options					
Name of Directors	Date of grant	Outstanding as at 1 January 2001	Granted during the year	Exercised during the year	Outstanding as at 31 December 2001	Option period	Subscription price per share HK$
Sing Wang	30/6/2000	15,000,000	-	-	15,000,000	30/6/2000-29/6/2010 (Notes 1 & 7.1)	5.27
	8/8/2000	15,270,000	-	-	14,354,000	8/8/2000-7/8/2010 (Notes 2 & 7.1)	5.30
Leung Quan Yue, Michelle	31/5/2000	7,000,000	-	-	7,000,000	31/5/2000-30/5/2010 (Notes 3 & 7.3)	4.685
	8/8/2000	5,000,000	-	-	4,700,000	8/8/2000-7/8/2010 (Notes 4 & 7.3)	5.30
James Sha	8/4/2000	15,000,000	-	-	15,000,000	8/4/2000-9/4/2003 (Note 5)	8.78
	15/11/2000	15,000,000	-	-	15,000,000	15/11/2000-14/11/2010 (Note 6)	5.30

Notes:

1. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the options has vested on 30 June 2001. The second and third tranches of the options will vest on 30 June 2002 and 30 June 2003, respectively.

2. The options will vest in three tranches in the proportion of 20%:30%:50%. 70% of the first tranche of the options has vested on 8 August 2001, the remaining 30% of the first tranche (being option to subscribe for 916,000 shares of the Company) has lapsed due to certain conditions not having been fulfilled. Subject to the fulfilment of certain conditions under the share options, the second and third tranches will vest on 8 August 2002 and 8 August 2003, respectively.

3. The options will vest in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on 31 May 2001. The second and third tranches of the options will vest on 31 May 2002 and 31 May 2003, respectively.

4. The options will vest in three tranches in the proportion of 20%:30%:50%. 70% of the first tranche of the options has vested on 8 August 2001, the remaining 30% of the first tranche (being option to subscribe for 300,000 share of the Company) has lapsed due to certain conditions not having been fulfilled. Subject to the fulfilment of certain conditions under the share options, the second and third tranches will vest on 8 August 2002 and 8 August 2003, respectively.

5. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the options has vested on 8 April 2001. The second and third tranches of the options will vest on 8 April 2002 and 8 April 2003, respectively. However, upon the acceptance of the grant on 15 November 2000, Mr. James Sha has agreed not to exercise any of these options.

6. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the option has vested on 15 November 2001. The second and third tranches of the options will vest on 15 November 2002 and 15 November 2003, respectively. Upon the acceptance of such option, Mr. James Sha has agreed not to exercise any of the options granted to him on 8 April 2000.

7. On 7 February 2002, Mr. Sing Wang, Mr. Lee Kwok Ming, Don and Ms. Leung Quan Yue, Michelle were granted options by the Company pursuant to the Share Option Scheme to subscribe for shares of the Company. Details of which were as follows:

7.1 Mr. Sing Wang was granted an option to subscribe for 20,000,000 shares of the Company at a subscription price of HK$3.76 per share exercisable during the period from 7 February 2002 to 6 February 2012 (both dates inclusive). The options will vest in three tranches in the proportion of 40%:30%:30%. The first tranche of the option has vested on 8 February 2002. The second and third tranches of the option will vest on 1 June 2002 and 1 June 2003, respectively. Upon the acceptance of such option, Mr. Sing Wang has also agreed not to exercise (i) the option to subscribe for 12,000,000 shares of the Company granted to him on 30 June 2000; and (ii) the option to subscribe for 12,216,000 shares of the Company granted to him on 8 August 2000.

7.2 Mr. Lee Kwong Ming, Don was granted an option to subscribe for 10,000,000 shares of the Company at a subscription price of HK$3.76 per share exercisable during the period from 7 February 2002 to 6 February 2012 (both dates inclusive). The options will vest in three tranches in the proportion of 40%:30%:30%. The first, second and third tranches of the option will vest on 1 August 2002, 1 August 2003 and 1 August 2004, respectively.

7.3 Ms. Leung Quan Yue, Michelle was granted an option to subscribe for 10,000,000 shares of the Company at a subscription price of HK$3.76 per share exercisable during the period from 7 February 2002 to 6 February 2012 (both dates inclusive). The options will vest in three tranches in the proportion of 40%:30%:30%. The first tranche of the option has vested on 8 February 2002. The second and third tranches of the option will vest on 30 May 2002 and 30 May 2003, respectively. Upon the acceptance of such option, Ms. Leung Quan Yue, Michelle has also agreed not to exercise (i) the option to subscribe for 4,668,000 shares of the Company granted to her on 31 May 2000; and (ii) the option to subscribe for 4,000,000 shares of the Company granted to her on 8 August 2000.

Save as disclosed above, none of the directors of the Company or their Associates had, as at 31 December 2001, 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.

SHARE OPTION SCHEMES

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

Summary of the Schemes

(a) *Purpose of the Schemes*

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution made by the executive directors and the employees of the Company prior to the listing of shares of the Company on GEM.

The purposes of the Share Option Scheme are to recognise the contribution made by the executive directors and the employees of the Group and to retain the services of the employees who will continue to make valuable contribution to the Company.

(b) *Participants of the Schemes*

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employees of the Company or of its subsidiaries or of HWL or any subsidiary of HWL to subscribe for shares in the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on GEM on 1 March 2000. On 11 February 2000, options to subscribe for an aggregate of 78,696,000 shares of the Company were granted to 2 past directors of the Company and 6 employees of the Company at the date of grant.

Pursuant to the Share Option Scheme, the Company may grant options to any full-time employees of the Company or of its subsidiaries, including executive directors, to subscribe for shares in the Company.

(c) *Total number of shares available for issue under the Schemes*

Pursuant to the letter issued by the Stock Exchange on 29 February 2000 approving the Schemes, the total number of shares of the Company available for issue under options which may be granted under the Schemes is 242,100,000 shares, being 10% of the issued share capital at the date of approval of the Schemes.

As at 31 December 2001, an aggregate of 158,154,000 shares of the Company were issuable pursuant to share options granted under the Schemes. In addition, up to 31 December 2001, an aggregate of 10,886,000 shares of the Company were issued upon exercise of share options pursuant to the Pre-IPO Share Option Plan and no options were exercised by the grantees pursuant to the Share Option Scheme.

As at 31 December 2001, the total number of shares of the Company available for issue under the Share Option Scheme (no further option may be granted under the Pre-IPO Share Option Plan) is 73,060,000, representing approximately 2.2% of the issued share capital of the Company as at 15 March 2002.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Schemes.

(e) *Time of exercise of options*

Pursuant to the Schemes, an option may be exercised in accordance with the terms of the respective schemes at any time during a period to be notified by the board of the Company to each grantee provided that the period within which the option must be exercised shall be not less than 3 years and not more than 10 years from the date of grant of the option.

(f) *Payment on acceptance of option*

Pursuant to the Schemes, HK$5 is payable by the grantee to the Company on acceptance of the option within 28 days from the date of grant.

(g) *Basis of determining the subscription price*

The subscription price per share under the Pre-IPO Share Option Plan is HK$1.78, being the price per share at which the shares are offered for subscription by the public at the initial public offer of shares of the Company.

The subscription price per share under the Share Option Scheme is determined by the board of the Company and notified to the grantee and shall be no less than the higher of:

(i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

(h) *Remaining life of the Schemes*

The Pre-IPO Share Option Plan has no remaining life as no further options may be granted but the provisions of such plan shall in all other respects remain in full force and effect and options which are granted during the life of such plan may continue to be exercisable in accordance with their terms of issue.

The Share Option Scheme will remain valid until 10 February 2010.

The other principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme are set out in the prospectus of the Company dated 18 February 2000.

Pre-IPO Share Option Plan

On 11 February 2000, options to subscribe for an aggregate of 78,696,000 shares of the Company 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 and will vest in three tranches in the proportion of 20%:30%:50%. The first and second tranches of the options have vested on 11 February 2001 and 11 February 2002, respectively. The third tranche of the options shall vest on 11 February 2003.

As at 31 December 2001, options carrying the rights to subscribe for an aggregate of 36,330,000 shares of the Company were outstanding and these options relate to the options granted to 6 persons who are employees of the Company at the date of grant. Details of which as at 31 December 2001 are as follows:

	Number of share options
As at 1 January 2001	48,426,000
Less: share options exercised during the year (Notes)	4,832,000
Less: share options lapsed during the year	7,264,000
As at 31 December 2001	36,330,000

Notes:

1. The subscription price for all the options exercised is HK$1.78 per share.

2. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised is HK$3.429.

Share Option Scheme

As at 31 December, 2001, options to subscribe for 121,824,000 shares of the Company were granted to certain continuous contract employees (including the executive directors of the Group as disclosed above) were outstanding. Details of which as at 31 December 2001 are as follows:

	Number of share options					
Date of grant	Outstanding as at 1 January 2001	Granted during the year	Exercised during the year	Outstanding as at 31 December 2001	Option period	Subscription price per share HK$
23/3/2000	8,826,000	–	–	6,604,000	23/3/2000-22/3/2010 (Notes 1 & 9)	11.30
8/4/2000	15,000,000	–	–	15,000,000	8/4/2000-9/4/2003 (Notes 2 & 8)	8.78
31/5/2000	7,000,000	–	–	7,000,000	31/5/2000-30/5/2010 (Notes 3 & 9)	4.685
26/6/2000	7,400,000	–	–	4,042,000	26/6/2000-25/6/2010 (Notes 4 & 9)	5.89
30/6/2000	15,000,000	–	–	15,000,000	30/6/2000-29/6/2010 (Notes 5 & 9)	5.27
8/8/2000	79,062,000	–	–	54,858,000	8/8/2000-7/8/2010 (Notes 6 & 9)	5.30
9/11/2000	4,800,000	–	–	4,320,000	9/11/2000-8/11/2010 (Note 7)	5.30
15/11/2000	15,000,000	–	–	15,000,000	15/11/2000-14/11/2010 (Notes 2 & 8)	5.30

Notes:

1. The options will vest either in two tranches in the proportion of 50%:50% or in three tranches in the proportion of 33%:33%:34%. For those options vested in two tranches, the first and second tranches of the options will vest on 23 March 2005 and 23 March 2006, respectively. For those options vested in three tranches, the first, second and third tranches of the options will vest on 23 March 2005, 23 March 2006 and 23 March 2007, respectively.

2. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the options has vested on 8 April 2001. The second and third tranches of the options will vest on 8 April 2002 and 8 April 2003, respectively. However, upon acceptance of the grant of options on 15 November 2000, the grantee has agreed not to exercise any of these options.

3. The options will vest in three tranches in the proportion of 1/3:1/3:1/3. The first tranche of the options has vested on 31 May 2001. The second and third tranches of the options will vest on 31 May 2002 and 31 May 2003, respectively.

4. The options will vest either in two tranches in the proportion of 50%:50% or in three tranches in the proportion of 1/3:1/3:1/3. For those options that vest in two tranches, the first and second tranches of the options will vest on 26 June 2005 and 26 June 2006, respectively. For those options that vest in three tranches, the first, second and third tranches of the options will vest on 26 June 2005, 26 June 2006 and 26 June 2007, respectively.

5. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the options has vested on 30 June 2001. The second and third tranches of the options will vest on 30 June 2002 and 30 June 2003, respectively.

6. The options will vest either in three tranches in the proportion of 1/3:1/3:1/3 or 20%:30%:50% or in two tranches in the proportion of 50%: 50%.

   For those options that vest in three tranches, 70% of the first tranche of the options has vested on 8 August 2001, the remaining 30% of the first tranche has lapsed due to certain conditions not having been fulfilled. Subject to the fulfillment of certain conditions under the share options, the second and third tranches of the options will vest on 8 August 2002 and 8 August 2003, respectively.

   For those options that vest in two tranches, 70% of the first tranche of the options has vested on 8 August 2001, the remaining 30% of the first tranche has lapsed due to certain conditions not having been fulfilled. Subject to the fulfillment of certain conditions under the share options, the second tranche of the options will vest on 8 August 2002.

7. The options will vest in three tranches in the proportion of 1/3:1/3:1/3. 70% of the first tranche of the options has vested on 9 November 2001, the remaining 30% of the first tranche has lapsed due to certain conditions not having been fulfilled. Subject to the fulfillment of certain conditions, the second and third tranches of the options will vest on 9 November 2002 and 9 November 2003, respectively.

8. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the option has vested on 15 November 2001. The second and third tranches of the options will vest on 15 November 2002 and 15 November 2003, respectively. Upon the acceptance of this grant of option, the grantee has agreed not to exercise any of the options granted to him on 8 April 2000.

9. On 7 February 2002, options to subscribe for an aggregate of 64,230,000 shares of the Company at a subscription price of HK$3.76 per share were granted by the Company to certain continuous contract employees of the Group (including the executive directors of the Company). All these options are exercisable during the period from 7 February 2002 to 6 February 2012 (both dates inclusive) and will vest in three tranches in the proportion of 40%:30%:30% or 1/3:1/3:1/3.

   The timing of the vesting of the options are as follows:

   (1) for those grantees who have worked for the Group for over 1 year, the first tranche of the option has vested on 8 February 2002. The second and third tranches of the options will vest on the second and third anniversaries (as the case may be) of their respective joining dates with the Group; and

   (2) for those grantees who have worked for the Group for less than 1 year, the first, second and third tranches of the options will vest on the first, second and third anniversaries of their respective joining dates with the Group, as the case may be.

   Upon the grant of the options on 7 February 2002, all the grantees of the options (who have accepted the options) have agreed not to exercise those options previously granted to them (if any) (but not yet vested as at 7 February 2002) on 23 March 2000 or 26 June 2000 and/or 8 August 2000 (as the case may be) to subscribe for an aggregate of 48,624,000 shares of the Company.

During the year, no options were granted or cancelled by the Company or exercised by the grantees. An aggregate of 30,264,000 options has lapsed upon the termination of the relevant employees' employment with the Group and/or certain conditions under the share options not being fulfilled.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the persons or corporations whose interests, being 10% or more of the issued share capital of the Company, as recorded in the register required to be kept under section 16(1) of the SDI Ordinance or have otherwise notified to the Company were as follows. These interests are in addition to those disclosed above in respect of the directors:

Name of shareholders	Number of shares held
Li Ka-shing	1,429,024,545 (Notes 1 & 2)
Li Ka-Shing Unity Holdings Limited	1,429,024,545 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	1,429,024,545 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	1,429,024,545 (Notes 1 & 2)
Cheung Kong (Holdings) Limited	1,429,024,545 (Notes 1 & 2)
Cheung Kong Investment Company Limited	476,341,182 (Note 1)
Cheung Kong Holdings (China) Limited	476,341,182 (Note 1)
Sunnylink Enterprises Limited	476,341,182 (Note 1)
Romefield Limited	476,341,182 (Note 1)
Hutchison Whampoa Limited	952,683,363 (Note 2)
Hutchison International Limited	952,683,363 (Note 2)
Easterhouse Limited	952,683,363 (Note 2)
Chau Hoi Shuen	951,742,363 (Note 3)
Cranwood Company Limited	951,742,363 (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 476,341,182 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 952,683,363 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 476,341,182 shares of the Company and 952,683,363 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, Cranwood Company Limited is 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 in addition to 23,742,363 shares of the Company held by itself.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen is deemed to be interested in 23,742,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, 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 2001, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in note 36 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 of the GEM Listing Rules:

(1) On 20 January 2000, TOM 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 HWL, a substantial shareholder of the Company, in respect of the lease by TOM International of the whole of 19/F., 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 International may sublet the premises to any subsidiary of the Company and/or 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 International and any subsidiary of Hutchison Telecom in respect of the said premises.

    On 7 February 2001, TOM 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) Pursuant to a web content development and provision contract entered into between Super Cultural, a wholly-owned subsidiary of the Company, Mr. Wang Lei Lei and 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.

(3) Pursuant to an advertising agreement originally entered into between the Company and 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 International), TOM International has agreed to buy commercial airtime for a term of 3 years expiring on 31 December 2002. During the year, TOM International has paid Metro HK$3,521,000 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.

(4) Pursuant to an internet content supply agreement dated 30 December 1999 (as supplemented by an amendment agreement dated 21 January 2000) between 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.

(5) Pursuant to a service agreement dated 20 January 2000 (as amended by an agreement dated 28 January 2000) entered into between TOM International and 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 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.

(6) 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 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 and up to the date of this report, the Group has also entered into or completed the following notifiable connected transactions as defined under the GEM Listing Rules:

(a) On 19 December 2000, Green Treasure, a wholly-owned subsidiary of the Company, has entered into a share purchase agreement with T Advertising Holdings Limited (formerly 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 Maya Cultural 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). 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. The completion of the aforesaid transaction took place on 30 November 2001.

(b) On 9 March 2001, TOM International has entered into a sub-tenancy agreement with Metro in respect of the lease by TOM International of Units 4705-4707 of 47/F., The Center, 99 Queen's Road Central, Central, Hong Kong ("The Center") with an area of approximately 4,050 square feet for a term of 3 years commencing on 1 January 2001 at a monthly rental of HK$111,375.

(c) On 2 January 2002, TOM International has entered into a surrender agreement with The Center (47) Limited and The Center (48) Limited, both being wholly-owned subsidiaries of CKH, in respect of the surrender by TOM International of Units 4710-4713 of 47/F., The Center ("Premises"). Upon surrender of the Premises, the monthly rental for the retained portion of 47/F. and 48/F., The Center under the tenancy agreement dated 31 March 2000 (as amended) was reduced to HK$1,150,792.5.

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 agreements are fair and reasonable so far as the independent shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN CONTRACTS

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	7.68%
five largest customers combined	17.78%

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.

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. Lee Kwok Ming, Don 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 during the year.

DIRECTORS' INTERESTS 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 and directors of certain of its Associates (collectively referred to as "HWL Group"). Mr. Frank John Sixt is also a non-executive director of CKH. Mr. Ip Tak Chuen, Edmond, a non-executive director of the Company, is an executive director of CKH and a director of certain of its Associates (collectively referred to as "CKH Group"). Both HWL Group and CKH Group are engaged 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 CYTS whose main business consists of the provision of on-line travel services in Mainland China. The directors believe that there is a risk that the business 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.

FINANCIAL ASSISTANCE TO JOINTLY CONTROLLED ENTITIES

As at 31 December 2001, the Group provided the following financial assistance to the jointly controlled entities:

Name of company	Advances HK$'000		Corporate guarantee HK$'000	
Maya Online	11,271	(Note 1)	9,400	(Note 4)
	18,798	(Note 2)		
	62,118	(Note 3)		
Redsail	3,760	(Note 5)	-	
AA Stocks	2,116	(Note 6)	-	

Notes:

1. This advance to Maya Online made on 16 August 2000 is unsecured, bearing interest at the rate of 6.5% per annum and is repayable on or before 1 August 2010.
2. This advance to Maya Online made on 10 May 2001 is unsecured, bearing interest at the rate of 6% per annum and is repayable on or before 30 April 2011.
3. These advances to Maya Online made between the period from 27 December 2000 to 31 December 2001 are unsecured, interest free and repayable on demand.
4. This represents the corporate guarantee secured by the deposition of a fixed deposit of HK$9,400,000 for a bank loan of RMB10,000,000 granted to Maya Online on 26 September 2001 for working capital purposes. The aforesaid bank loans has been fully utilized by Maya Online.
5. This advance to Redsail made on 4 June 2001 is unsecured, bearing interest at the rate of 6% per annum and is repayable on or before 17 April 2004.
6. HK$600,000 advance is made on 25 September 2001 pursuant to a zero coupon convertible bond issued by AA Stocks due on 21 September 2003. The remaining balance of the advances to AA Stocks made on 21 December 2001 is unsecured, interest free and repayable on demand.

The above advances were funded by internal resources of the Group and were made for the purpose of providing working capital for the respective companies.

The proforma combined balance sheet of the jointly controlled entities as at 31 December 2001 is set out as follows:

	HK$'000
Non-current assets	63,426
Current assets	60,352
Current liabilities	(17,409)
Non-current liabilities	(89,605)
Net assets	16,764
The Group's share of net assets	2,943

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 37 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 2001, an Associate and an 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 as at 31 December 2001.

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.

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 throughout the year, 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.

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, 15 March 2002

羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF TOM.COM LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 66 to 105 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 2001 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 HK$'000	As restated 2000 HK$'000
Turnover	2	**626,624**	89,223
Cost of sales		**393,250**	56,134
Interest income	2	**(23,069)**	(80,634)
Selling and administrative expenses		**237,511**	169,450
Advertising and promotion expenses		**62,597**	120,635
Website development expenses		**77,862**	145,264
Depreciation and amortisation		**109,065**	61,710
Operating loss	3	**230,592**	383,336
Finance costs	4	**1,395**	–
Provision for impairment of goodwill	5	**280,936**	829,211
Provision for impairment of fixed assets in relation to online operations		**49,540**	–
Restructuring costs	6	**8,527**	37,717
Share of losses of jointly controlled entities		**35,856**	16,190
Share of losses of associated companies		**3,164**	6,230
Loss before taxation		**610,010**	1,272,684
Taxation	7	**18,692**	3,147
Loss after taxation		**628,702**	1,275,831
Minority interests		**7,185**	(10,546)
Loss attributable to shareholders		**635,887**	1,265,285
Loss per share – basic	10	**HK19.78 cents**	HK43.82 cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2001

	Note	2001 HK$'000	2000 HK$'000
ASSETS			
Non-current assets			
Intangible assets	13	**453,783**	293,823
Fixed assets	14	**190,630**	237,900
Interests in jointly controlled entities	16	**125,632**	27,540
Interests in associated companies	17	**3,741**	5,084
Investment securities	18	**37,005**	10,522
Loan to a related company	19	**13,260**	–
		824,051	574,869
Current assets			
Inventories	20	**92,676**	1,407
Trade and other receivables	21	**516,831**	102,978
Bank balances and cash	33	**233,885**	934,512
		843,392	1,038,897
Current liabilities			
Consideration payables	22	**289,729**	517,279
Trade and other payables	23	**478,199**	303,870
Taxation payable		**58,258**	3,147
Current portion of long-term bank loans, secured	25	**12,228**	–
Short-term loans	24	**48,405**	1,410
		886,819	825,706
Net current (liabilities)/assets		**(43,427)**	213,191
Total assets less current liabilities		**780,624**	788,060
Non-current liabilities			
Long-term bank loans, secured	25	**2,223**	–
Loans from shareholders	26	**100,000**	–
Loans from minority shareholders		**1,866**	–
Deferred taxation	27	**2,721**	–
Pension obligations		**10,653**	–
Minority interests		**84,158**	1,003
Net assets		**579,003**	787,057
CAPITAL AND RESERVES			
Share capital	28	**327,765**	315,939
Reserves	30	**252,329**	471,118
Own shares held	31	**(1,091)**	–
Shareholders' funds		**579,003**	787,057

Sing Wang
Director

Lee Kwok Ming, Don
Director

BALANCE SHEET

AS AT 31 DECEMBER 2001

	Note	2001 HK$'000	As restated 2000 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	15	**1,516,999**	1,298,211
Investment securities	18	**–**	1
		1,516,999	1,298,212
Current assets			
Trade and other receivables	21	**23,552**	1,325
Bank balances and cash		**21,988**	820,302
		45,540	821,627
Current liabilities			
Consideration payables	22	**289,729**	517,279
Trade and other payables	23	**20,133**	56,896
		309,862	574,175
Net current (liabilities)/assets		**(264,322)**	247,452
Total assets less current liabilities		**1,252,677**	1,545,664
Non-current liabilities			
Loans from shareholders	26	**100,000**	–
Net assets		**1,152,677**	1,545,664
CAPITAL AND RESERVES			
Share capital	28	**327,765**	315,939
Reserves	30	**826,003**	1,229,725
Own shares held	31	**(1,091)**	–
Shareholders' funds		**1,152,677**	1,545,664

Sing Wang
Director

Lee Kwok Ming, Don
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 HK$'000	2000 HK$'000
Net cash outflow from operating activities	32(a)	**(367,175)**	(340,115)
Returns on investments and servicing of finance			
Interest received		**22,521**	80,634
Interest paid		**(1,140)**	–
Net cash inflow from returns on investments and servicing of finance		**21,381**	80,634
Taxation			
Hong Kong profits tax paid		**(1,718)**	–
Mainland China and Taiwan taxation paid		**(1,807)**	–
Total taxation paid		**(3,525)**	–
Investing activities			
Purchase of fixed assets		**(48,918)**	(217,809)
Sale of fixed assets		**4,852**	5,831
Purchase of concession rights		**(14,147)**	–
Purchase of subsidiaries	32(b) & (c)	**(298,974)**	2,110
Sale of a subsidiary		**163**	–
Purchase of jointly controlled entities and associated companies		**(58,172)**	(101,110)
Purchase of investment securities		**(423)**	(33,343)
Loans to jointly controlled entities		**(76,484)**	(11,271)
Loan to a related company		**(13,260)**	–
Loan repayment from an investee company		**2,261**	–
Loan to an investee company		**–**	(8,457)
Net cash outflow from investing activities		**(503,102)**	(364,049)
Net cash outflow before financing		**(852,421)**	(623,530)
Financing	32(d)		
Issuance of ordinary shares, net of issuing expenses		**12,912**	1,397,445
Repurchase of ordinary shares		**–**	(776)
New bank and other loans		**41,317**	–
Loan repayments		**(9,499)**	–
New loans from shareholders		**100,000**	138,832
Contribution from a minority shareholder of a subsidiary		**7,064**	172
Net cash inflow from financing		**151,794**	1,535,673
(Decrease)/increase in bank balances and cash		**(700,627)**	912,143
Bank balances and cash at 1 January		**934,512**	22,369
Bank balances and cash at 31 December		**233,885**	934,512

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 HK$'000	As restated 2000 HK$'000
Exchange differences arising on translation of subsidiaries, jointly controlled entities and associated companies	30	**519**	253
Loss for the year	30	**635,887**	1,265,285
Total recognised losses		**636,406**	1,265,538
Goodwill eliminated against reserves		**–**	536,484
		636,406	1,802,022
Cumulative effect of changes in accounting policy adopted on 1 January 2001			
Accumulated losses as at 1 January – effect of adopting SSAP 30	1(c)(i) and 5	**829,211**	–

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

In the current year, the HKSA issued a number of Statements of Standard Accounting Practice ("SSAPs") and related interpretations which are effective for accounting periods commencing on or after 1 January 2001. The new SSAPs relevant to the Group are:

SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of SSAPs 14 (revised), 26, 28, 29 and 32 has no changes to the accounting policies that affect the Group's accounts. The adoption of SSAPs 30 and 31 and Interpretation 13 "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves" constitutes a change in accounting policies of the Group regarding the treatment of goodwill and the provision against impairment on goodwill (note 1(c)(i)).

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

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 unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged to or recognised in the consolidated profit and loss account.

In the Company's balance sheet the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(ii) 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.

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 and goodwill/negative goodwill on acquisition, net of accumulated amortisation, if any, less provision for impairment losses.

(iii) Associated companies

An associated company 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 associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill on acquisition, net of accumulated amortisation, if any, less provision for impairment losses.

(iv) 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 balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill – change in accounting policy

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a maximum period of twenty years.

Prior to 1 January 2001, the Group eliminated 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 using the straight-line method over its estimated useful life up to a maximum of twenty years.

In respect of goodwill previously eliminated to reserves, the Group has applied the transitional provision 1(a) in SSAP 30 and the relevant goodwill previously eliminated against reserves has not been restated. In accordance with the transitional provisions of SSAP 30 and SSAP 31, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy should be applied retrospectively and the impairment losses should be recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting polices". The comparative accounts for 2000 have been restated to conform with the changed policy.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(c) Intangibles (continued)

(i) Goodwill – change in accounting policy (continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisition prior to 1 January 2001, the related goodwill eliminated against reserves, to the extent that it has not previously been realised in the consolidated results.

(ii) Concession rights

Concession rights are stated at cost less accumulated amortisation. Concession rights represent the cost of acquiring operating rights for the placement of advertisements on bus shelters and unipoles in Mainland China.

Concession rights are amortised on a straight line basis over the period of operating rights.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of an intangible asset, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Properties	over the lease terms
Leasehold improvements	15-30%
Computer equipment	20-33$^1/_3$%
Office equipment, furniture, fixtures and motor vehicles	10-33$^1/_3$%
Outdoor signboards	5-20%

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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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.

(e) Construction in progress

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

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(f) 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.

(g) Investment securities

Investment securities 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.

Where there is objective evidence that individual investment securities are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(h) Inventories

Inventories, consist mainly of paper stock and books, are stated at the lower of cost and net realisable value. Cost of e-commerce goods are calculated on the first-in, first-out basis, and of other inventories are calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) 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.

Revenue from publication is recognised on the transfer of risk and ownership which generally coincides with the date of delivery.

Interest income is recognised on an accrual basis taking into account the principal outstanding and the effective interest rates applicable.

(n) Advertising and promotion expenses

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

(o) Website development expenses

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

(p) Retirement benefit costs

(i) Defined contribution scheme

Subsidiaries in Hong Kong and Mainland China contribute to different defined contribution retirement schemes which are available to all relevant employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the funds.

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 schemes, prior to vesting fully in the contributions, where applicable.

The assets of the schemes are held separately from those of the Group in the independently administered funds.

(ii) Defined benefit scheme

Subsidiaries in Taiwan operate a retirement scheme providing benefits to all relevant employees based on final pay. The Group has an obligation to ensure that there are sufficient funds in these plans to pay the benefits earned. The contributions are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined by a qualified actuary on the basis of valuations using the projected unit credit (PUC) cost method.

The Group's contributions to the defined benefit schemes are charged to the profit and loss account as incurred.

(q) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investment securities and loan to a related company. Segment liabilities comprise operating liabilities and pension obligations and exclude items such as consideration payables, taxation and corporate borrowings. Capital expenditure comprises additions to concession rights (note 13) and fixed assets (note 14).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out on pages 101 to 105.

Turnover represents revenues from online advertising, telecom value-added services, Internet services provision, print media and outdoor media advertising, event marketing and publication. Revenues recognised during the year are as follows:

	2001 HK$'000	2000 HK$'000
Turnover		
Online media and telecom value-added services	**143,890**	54,865
Advertising sales of print media and outdoor media, marketing of sports sponsorship and promotional events, and publication of magazines and books	**482,734**	34,358
	626,624	89,223
Interest income	**23,069**	80,634
Total revenues	**649,693**	169,857

Primary reporting format – business segments

The Group is organised into two main business segments:

Online operations – Provision of online media and telecom value-added services

Offline operations – Advertising sales of print media and outdoor media, marketing of sports sponsorship and promotional events, and publication of magazines and books

There are no significant sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group's two business segments are operated in three main geographical areas:

Hong Kong – Online operations and offline operations

Mainland China – Online operations and offline operations

Taiwan – Offline operations

There are no significant sales between the geographical segments.

2. **TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)**

Primary reporting format – business segments

	Online operations 2001 HK$'000	Offline operations 2001 HK$'000	Group 2001 HK$'000
Turnover	143,890	482,734	626,624
Segment loss/(profit) before depreciation and amortisation	92,388	(84,164)	8,224
Depreciation and amortisation	80,432	18,399	98,831
Segment loss/(profit)	172,820	(65,765)	107,055
Unallocated costs			123,537
Operating loss			230,592
Finance costs			1,395
Provision for impairment of goodwill	280,936	–	280,936
Provision for impairment of fixed assets in relation to online operations	49,540	–	49,540
Restructuring costs	8,527	–	8,527
Share of losses of jointly controlled entities	35,856	–	35,856
Share of losses of associated companies	2,428	736	3,164
Loss before taxation			610,010
Taxation			18,692
Loss after taxation			628,702
Minority interests			7,185
Loss attributable to shareholders			635,887
Segment assets	450,797	991,468	1,442,265
Interests in jointly controlled entities	125,632	–	125,632
Interests in associated companies	2,656	1,085	3,741
Unallocated assets			95,805
Total assets			1,667,443
Segment liabilities	152,721	315,998	468,719
Unallocated liabilities			619,721
Total liabilities			1,088,440
Capital expenditures	25,705	24,325	50,030
Unallocated capital expenditures			13,035
			63,065

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	Online operations 2000 HK$'000	Offline operations 2000 HK$'000	Group 2000 HK$'000
Turnover	54,865	34,358	89,223
Segment loss/(profit) before depreciation and amortisation	279,496	(2,247)	277,249
Depreciation and amortisation	61,648	62	61,710
Segment loss/(profit)	341,144	(2,185)	338,959
Unallocated costs			44,377
Operating loss			383,336
Provision for impairment of goodwill	829,211	–	829,211
Restructuring costs	37,717	–	37,717
Share of losses of jointly controlled entities	16,190	–	16,190
Share of losses of associated companies	6,230	–	6,230
Loss before taxation			1,272,684
Taxation			3,147
Loss after taxation			1,275,831
Minority interests			(10,546)
Loss attributable to shareholders			1,265,285
Segment assets	600,363	148,630	748,993
Interests in jointly controlled entities	27,540	–	27,540
Interests in associated companies	5,084	–	5,084
Unallocated assets			832,149
Total assets			1,613,766
Segment liabilities	138,595	108,379	246,974
Unallocated liabilities			579,735
Total liabilities			826,709
Capital expenditures	217,809	–	217,809

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

	Turnover 2001 HK$'000	**Segment loss/ (profit) 2001 HK$'000**	**Total assets 2001 HK$'000**	**Capital expenditures 2001 HK$'000**
Hong Kong	**96,085**	**44,331**	**256,820**	**4,513**
Mainland China	**413,350**	**(22,399)**	**594,344**	**42,016**
Taiwan	**117,189**	**(13,708)**	**591,101**	**3,501**
	626,624	**8,224**	**1,442,265**	**50,030**
Depreciation and amortisation		**98,831**		
Unallocated costs		**123,537**		
Operating loss		**230,592**		
Interests in jointly controlled entities			**125,632**	
Interests in associated companies			**3,741**	
Unallocated assets/capital expenditures			**95,805**	**13,035**
Total			**1,667,443**	**63,065**

	Turnover 2000 HK$'000	Segment loss 2000 HK$'000	Total assets 2000 HK$'000	Capital expenditures 2000 HK$'000
Hong Kong	31,909	217,520	191,661	201,883
Mainland China	57,314	59,729	557,332	15,926
	89,223	277,249	748,993	217,809
Depreciation and amortisation		61,710		
Unallocated costs		44,377		
Operating loss		383,336		
Interests in jointly controlled entities			27,540	
Interests in associated companies			5,084	
Unallocated assets/capital expenditures			832,149	–
Total			1,613,766	217,809

3. OPERATING LOSS

Operating loss is stated after charging the followings:

	2001 HK$'000	2000 HK$'000
Depreciation	**88,266**	35,796
Amortisation of intangible assets		
– Goodwill	**20,416**	25,914
– Concession rights	**383**	–
Staff costs (including directors' remuneration)	**191,741**	119,992
Cost of inventories	**92,175**	–
Operating leases		
– Land and buildings	**23,906**	20,113
– Other assets	**1,448**	–
Retirement benefit costs (Note 11)	**9,453**	3,552
Auditors' remuneration	**4,206**	2,638
Loss on disposal of fixed assets	**1,102**	18,912
Provision for diminution in value of investment securities	**6,334**	7,190

4. FINANCE COSTS

	2001 HK$'000	2000 HK$'000
Interest on bank loans	**671**	–
Interest on other loans, wholly repayable within five years	**724**	–
Total borrowing costs incurred	**1,395**	–

5. PROVISION FOR IMPAIRMENT OF GOODWILL

As at 31 December 2001, the Group performed an assessment of the fair value of its intangible assets, including goodwill that had previously been eliminated against reserves. The assessment was based on value in use of the assets as determined at the cash generating unit (the individual business operations) based on the present value of estimated future cash flows.

As a result of this assessment, a provision of HK$280,936,000 has been made for impairment in goodwill arising from acquisition of a subsidiary engaging in online operations for the year ended 31 December 2001. In addition, the same assessment was also carried out in respect of the goodwill previously eliminated against reserves. As a result, it was determined that a diminution in value had occurred, and in accordance with the transitional provisions of SSAP 30, the Group has retrospectively restated and increased the reported loss for the year ended 31 December 2000 and the opening accumulated losses of the Group as at 1 January 2001 by HK$829,211,000 (notes 1(c)(i) and 30).

6. RESTRUCTURING COSTS

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

7. TAXATION

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

	2001 HK$'000	2000 HK$'000
Hong Kong profits tax (Note a)	**2,496**	161
Mainland China and Taiwan taxation (Note b)	**15,342**	2,986
Deferred taxation (Notes c and 27)	**854**	–
	18,692	3,147

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

(b) Taxation on profits of subsidiaries in Mainland China and Taiwan has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in Mainland China and Taiwan.

(c) Deferred taxation has been provided at the rate of 20% on the estimated distributable profits attributable to the Group in respect of subsidiaries operating in Taiwan, according to the prevailing tax regulations.

(d) No recognition of the potential deferred taxation assets relating to tax losses of the Group has been made as the recoverability of this potential deferred taxation assets is uncertain.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss of the Company is HK$821,189,000 (2000: HK$1,081,971,000) and is included in determining the loss attributable to the shareholders in the consolidated profit and loss account. The loss of the Company included a provision for impairment in interests in subsidiaries amounting to HK$829,189,000 (2000: HK$1,160,777,000) (notes 15 and 30).

9. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2000: HK$Nil).

10. LOSS PER SHARE

The basic loss per share is based on the weighted average of 3,215,055,403 (2000: 2,887,139,499) 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 2000.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the years ended 31 December 2001 and 2000.

11. RETIREMENT BENEFIT COSTS

The retirement benefit cost charged to the profit and loss account represents contributions payable by the Group to retirement benefit schemes.

The Group's Hong Kong employees are members of a defined contribution retirement benefit scheme. All contributions are made by the Group at either 7.5% or 10% of the employees' basic salaries. 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$1,793,000 (2000: HK$591,000) were utilised during the year.

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.

The Group's subsidiaries in Mainland China participate in the Provincial/Municipal retirement schemes managed by the respective provincial/municipal bureau. Pursuant to the relevant provision, the Group's Mainland China subsidiaries are required to make monthly contributions at rates prevailing in the relevant provinces on the employee's monthly salaries. The bureaux are responsible for pension payments to the retired employees of the Group.

The Group's subsidiaries in Taiwan operate a retirement scheme providing benefits to all eligible employees based on final pay (a defined benefit scheme). The subsidiaries have an obligation to ensure that there are sufficient funds in these plans to pay the benefits earned. The contributions are determined by a qualified actuary in Taiwan. Certain assets of the scheme are deposited with the Central Trust of China in Taiwan and held separately from those of the Group.

The latest actuarial valuation was prepared at 31 December 2001 by PricewaterhouseCoopers Management Consultants Company Limited, a qualified actuary in Taiwan, using the projected unit credit (PUC) cost method. The retirement scheme has been valued using the following principal assumptions:

Discount rate	4.25%
Expected return on assets	4.00%
Salary increase	3.00%

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:

	2001 **HK$'000**	2000 HK$'000
Fees	**550**	466
Basic salaries, housing allowances, other allowances and benefits in kind	**7,847**	7,598
Benefit from share options exercised	**1,681**	6,932
Discretionary bonuses	**5,685**	1,958
Contributions to retirement benefit schemes for directors (and past directors) of the Company	**468**	436
	16,231	17,390

Directors' fees disclosed above include HK$200,000 (2000: HK$173,770) paid to independent non-executive directors.

12. **DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**

(a) **Directors' emoluments (continued)**

The current executive directors received individual emoluments of approximately HK$6,376,000 (2000: HK$2,087,621), HK$3,461,667 (2000: HK$1,725,657) and HK$1,901,658 (2000: HK$Nil) for the year ended 31 December 2001. The past executive directors received individual emoluments, including the benefit from the exercise of share options, of approximately HK$3,941,611 (2000: HK$3,016,970) and HK$Nil (2000: HK$10,093,317) for the year ended 31 December 2001.

Each non-executive director received a director's fee of HK$50,000 (2000: HK$31,967 or HK$43,443), for the year ended 31 December 2001. 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$100,000 (2000: HK$86,885) for the year ended 31 December 2001. 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 2001.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2000: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: one) individuals during the year are as follows:

	2001 HK$'000	2000 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,673**	1,542
Benefit from share options exercised	**3,805**	–
Discretionary bonuses	**2,286**	345
Contributions to retirement benefit schemes	**215**	103
	8,979	1,990

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
	2001	2000
HK$1,500,001 – HK$2,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
	2	1

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		
	Goodwill HK$'000	**Concession rights** HK$'000	**Total** HK$'000
At 1 January 2001	293,823	–	293,823
Additions	446,240	14,147	460,387
Acquisition of subsidiaries (Note 32(b))	1,328	–	1,328
Impairment charge (Note 5)	(280,936)	–	(280,936)
Amortisation charge	(20,416)	(383)	(20,799)
Exchange adjustment	(20)	–	(20)
At 31 December 2001	440,019	13,764	453,783
At 31 December 2001			
Cost	767,284	14,147	781,431
Accumulated amortisation and impairment losses	(327,265)	(383)	(327,648)
Net book value	440,019	13,764	453,783
At 31 December 2000			
Cost	319,737	–	319,737
Accumulated amortisation and impairment losses	(25,914)	–	(25,914)
Net book value	293,823	–	293,823

14. FIXED ASSETS

	Group						
	Properties HK$'000	**Leasehold improvements** HK$'000	**Computer equipment** HK$'000	**Office equipment, furniture, fixtures and motor vehicles** HK$'000	**Outdoor signboards** HK$'000	**Construction in progress** HK$'000	**Total** HK$'000
Cost							
At 1 January 2001	–	34,400	212,604	21,561	27,600	11,233	307,398
Exchange adjustment	–	(98)	(202)	(142)	–	–	(442)
Additions	339	2,762	33,961	5,965	442	5,449	48,918
Acquisition of subsidiaries (Note 32(b))	–	6,744	16,476	16,633	27,982	5,706	73,541
Transfers upon completion	11,719	–	–	–	8,084	(19,803)	–
Disposals	–	(3,700)	(3,387)	(3,144)	(167)	(1,676)	(12,074)
At 31 December 2001	12,058	40,108	259,452	40,873	63,941	909	417,341
Accumulated depreciation and impairment losses							
At 1 January 2001	–	6,615	44,600	4,335	13,948	–	69,498
Exchange adjustment	–	(77)	(99)	(66)	–	–	(242)
Charge for the year	131	5,096	69,641	6,603	6,795	–	88,266
Acquisition of subsidiaries (Note 32(b))	–	5,083	8,335	10,193	2,158	–	25,769
Impairment charge	–	6,930	39,790	2,820	–	–	49,540
Disposals	–	(1,593)	(1,836)	(2,551)	(140)	–	(6,120)
At 31 December 2001	131	22,054	160,431	21,334	22,761	–	226,711
Net book value							
At 31 December 2001	11,927	18,054	99,021	19,539	41,180	909	190,630
At 31 December 2000	–	27,785	168,004	17,226	13,652	11,233	237,900

The Group's interests in properties at their net book values are analysed as follows:

	Group	
	2001 HK$'000	2000 HK$'000
In Mainland China, held on		
Leases of over 50 years	**11,719**	–
Leases of between 10 to 50 years	**208**	–
	11,927	–

15. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	Company As restated 2000 HK$'000
Investments at cost – unlisted shares	**1**	1
Amounts due from subsidiaries	**3,523,603**	2,465,397
Amounts due to subsidiaries	**(16,639)**	(6,410)
Less: provisions	**(1,989,966)**	(1,160,777)
	1,516,999	1,298,211

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

The list of the principal subsidiaries of the Group at 31 December 2001 is set out on pages 101 to 105.

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets – unlisted shares	**47,272**	16,269
Goodwill on acquisition less amortisation	**11,956**	–
	59,228	16,269
Loans to jointly controlled entities	**87,755**	11,271
Less: provisions	**(21,351)**	–
	125,632	27,540

The loans to jointly controlled entities are unsecured, of which HK$53,926,000 (2000: HK$Nil) is interest free and the remaining balances bear interest ranging from 6% to 6.5% per annum. HK$53,926,000 (2000: HK$11,271,000) is repayable on demand and the remaining balances are repayable on or before 30 April 2011.

The list of the principal jointly controlled entities of the Group at 31 December 2001 is set out on pages 101 to 105.

17. INTERESTS IN ASSOCIATED COMPANIES

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets – unlisted shares	**3,741**	5,084

The list of the principal associated companies of the Group at 31 December 2001 is set out on pages 101 to 105.

18. INVESTMENT SECURITIES

	Group		Company	
	2001 **HK$'000**	2000 HK$'000	**2001** **HK$'000**	2000 HK$'000
Unlisted equity shares outside Hong Kong, at fair value	**37,005**	2,065	**–**	1
Loan to an investee company	**–**	8,457	**–**	–
	37,005	10,522	**–**	1

19. LOAN TO A RELATED COMPANY – GROUP

This represented loan to a minority shareholder of a subsidiary, which bears interest at Hong Kong prime rate per annum, is repayable by 31 December 2003 and secured by the pledge of the minority shareholder's interests in the subsidiary and a corporate guarantee provided by the minority's shareholder.

20. INVENTORIES

	Group	
	2001 **HK$'000**	2000 HK$'000
Merchandise	**1,949**	1,407
Finished goods	**77,932**	–
Raw materials	**1,078**	–
Work in progress	**11,717**	–
	92,676	1,407

At 31 December 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK$77,000 (2000: HK$838,000).

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 **HK$'000**	2000 HK$'000	**2001** **HK$'000**	2000 HK$'000
Due from				
Jointly controlled entities (Note a)	**10,308**	1,669	**–**	–
Associated companies (Note a)	**516**	560	**–**	–
Related companies (Note b)	**18,608**	908	**–**	–
Trade receivables (Note c)	**257,836**	44,586	**–**	–
Prepayments and deposits	**125,259**	23,541	**20,493**	410
Other receivables	**104,304**	31,714	**3,059**	915
	516,831	102,978	**23,552**	1,325

Notes:

(a) The balances due from jointly controlled entities and associated companies represent expenses paid on behalf of the jointly controlled entities and associated companies and are unsecured, interest free and repayable on demand.

21. TRADE AND OTHER RECEIVABLES (continued)

(b) The balances due from related companies represent trading balances and expenses paid on behalf of the related companies and are unsecured, interest free and repayable according to the trade terms or repayable on demand. The balances due from related companies beneficially owned by the substantial shareholders of the Company, Hutchison Whampao Limited ("HWL") and Cheung Kong (Holdings) Limited ("CKH"), amounted to HK$10,147,000 (2000: HK$908,000) and minority shareholders of subsidiaries of the Group amounted to HK$8,461,000 (2000: HK$Nil).

(c) Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

At 31 December 2001, the ageing analysis of the Group's trade receivables was as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Current	**102,462**	14,330
1-60 days	**39,116**	14,049
61-90 days	**27,470**	15,592
Over 90 days	**88,788**	615
	257,836	44,586

22. CONSIDERATION PAYABLES

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Acquisition of subsidiaries (Note a)	**94,729**	322,279
Acquisition of a jointly controlled entity (Note b)	**195,000**	195,000
	289,729	517,279

Notes:

(a) This represents consideration payables with respect to the acquisition of subsidiaries that will be satisfied by cash and/or the issuance of shares of the Company pursuant to the terms of the respective acquisition agreements.

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

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Due to				
Associated companies (Note a)	**1,112**	–	**–**	–
Related companies (Note a)	**5,006**	19,472	**–**	–
Trade payables (Note b)	**188,568**	86,548	**–**	–
Other payables	**156,881**	83,866	**14,395**	23,534
Accruals	**126,632**	113,984	**5,738**	33,362
	478,199	303,870	**20,133**	56,896

Notes:

(a) The amounts due to associated companies and related companies represent trading balances and expenses paid on behalf of the Group by the associated companies and related companies and are unsecured, interest free and repayable on demand. The related companies are subsidiaries of HWL.

(b) At 31 December 2001, the ageing analysis of the Group's trade payables was as follows:

	Group	
	2001 HK$'000	2000 HK$'000
Current	**102,496**	13,046
31-60 days	**20,177**	12,180
61-90 days	**21,208**	23,214
Over 90 days	**44,687**	38,108
	188,568	86,548

24. SHORT-TERM LOANS

	Group	
	2001 HK$'000	2000 HK$'000
Bank loans		
Unsecured	**2,522**	1,410
Secured	**29,979**	–
	32,501	1,410
Other loans		
Unsecured	**2,418**	–
Secured	**13,486**	–
	15,904	–
	48,405	1,410

25. LONG-TERM BANK LOANS, SECURED

	Group 2001 HK$'000	Group 2000 HK$'000
Wholly repayable within five years	**14,451**	–
Current portion of long-term bank loans	**(12,228)**	–
	2,223	–
At 31 December 2001, the Group's bank loans were repayable as follows:		
Within one year	**12,228**	–
In the second year	**2,223**	–
	14,451	–

26. LOANS FROM SHAREHOLDERS – GROUP AND COMPANY

These represented unsecured loans from the substantial shareholders of the Company, HWL, CKH and Cranwood Company Limited ("Cranwood") in the amounts of HK$40,000,000, HK$20,000,000 and HK$40,000,000 respectively. In accordance with the Facility Letters dated 10 December 2001, the Group was granted unsecured loan facilities of up to an aggregate of HK$850,000,000 at interest rate of 50 basis points over 3 months HIBOR. The loans will be repayable by the end of 2003.

27. DEFERRED TAXATION

	Group 2001 HK$'000	Group 2000 HK$'000
At 1 January	**–**	–
Acquisition of subsidiaries	**1,887**	–
Transfer from profit and loss account (Note 7)	**854**	–
Exchange adjustment	**(20)**	–
At 31 December	**2,721**	–
Provided for in respect of undistributable profits (Note 7(c))	**2,721**	–

28. SHARE CAPITAL

Company – Authorised

	Ordinary shares of US$1 each		Ordinary shares of HK$0.1 each		Total
	No. of shares	HK$'000	No. of shares	HK$'000	HK$'000
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
At 31 December 2001	–	–	5,000,000,000	500,000	500,000

Company – Issued and fully paid

	Ordinary shares of US$1 each		Ordinary shares of HK$0.1 each		Total
	No. of shares	HK$'000	No. of shares	HK$'000	HK$'000
At 1 January 2000	50,000	389	–	–	389
Issuance 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
At 1 January 2001	–	–	3,159,390,899	315,939	315,939
Issuance of shares	–	–	118,254,909	11,826	11,826
At 31 December 2001	–	–	3,277,645,808	327,765	327,765

Notes:

(a) On 13 February, 7 November and 8 December 2001, 6,054,000, 600,000 and 600,000 ordinary shares were allotted and issued at HK$1.78 each pursuant to the exercise of share options by the past directors of the Company, respectively.

(b) On 12 March, 31 October, 30 November and 8 December 2001, 53,504,776, 23,898,225, 31,100,908 and 2,497,000 ordinary shares were allotted and issued at prices ranging between HK$1.795 and HK$5.51 per share as part of the considerations for the acquisitions of subsidiaries, respectively.

29. SHARE OPTION SCHEMES

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

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employees of the Company, its subsidiaries, HWL or any subsidiary of HWL to subscribe for shares in the Company. However, save for the options which have been granted on 11 February 2000, no further options may be granted upon the listing of the shares of the Company on GEM on 1 March 2000.

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.

The maximum number of shares in respect of which options may be granted under the Schemes shall not exceed 242,100,000 shares, being 10% of the issued share capital of the Company at the date of approval of the Schemes.

29. SHARE OPTION SCHEMES (continued)

Details of options outstanding as at 31 December 2001 are as follows:

	Number of share options	
	Pre-IPO Share Option Plan	Share Option Scheme
As at 1 January 2001	48,426,000	152,088,000
Less: share options exercised during the year	(4,832,000)	–
Less: share options lapsed during the year	(7,264,000)	(30,264,000)
As at 31 December 2001	36,330,000	121,824,000

The subscription price per share under the Pre-IPO Share Option Plan is HK$1.78. The options granted under the Share Option Scheme 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 unless the grantees have agreed not to exercise the options.

30. RESERVES

	Group					
	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	52,335	10	–	225	(76,674)	(24,104)
Arising from the reorganisation for listing	–	(387)	–	–	–	(387)
Issuance of shares by capitalisation of shareholders' loans	501,245	–	–	–	–	501,245
Application of share premium towards issuance of shares	(228,450)	–	–	–	–	(228,450)
Issuance of shares to the then shareholders and investors for cash	128,342	–	–	–	–	128,342
Issuance 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
Issuance of shares for acquisition of subsidiaries and associated companies	700,029	–	–	–	–	700,029
Share issuing expenses	(107,515)	–	–	–	–	(107,515)
Share repurchase	–	–	776	–	(776)	–
Loss for the year, as restated (Note a)	–	–	–	–	(1,265,285)	(1,265,285)
Goodwill eliminated against reserves, as restated (Note a)	(536,484)	–	–	–	–	(536,484)
Exchange differences	–	–	–	(253)	–	(253)
At 31 December 2000	1,813,482	(377)	776	(28)	(1,342,735)	471,118
Analysed by						
Company and subsidiaries	1,813,482	(377)	776	(28)	(1,320,315)	493,538
Jointly controlled entities	–	–	–	–	(16,190)	(16,190)
Associated companies	–	–	–	–	(6,230)	(6,230)
At 31 December 2000	1,813,482	(377)	776	(28)	(1,342,735)	471,118

30. **RESERVES (continued)**

	Group						
	Share premium account HK$'000	**Capital reserve** HK$'000	**Capital redemption reserve** HK$'000	**General reserve** HK$'000	**Exchange difference** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2001, as previously reported	984,271	(377)	776	–	(28)	(513,524)	471,118
Effect of adopting SSAP 30 (Notes 1(c)(i) and 5)	829,211	–	–	–	–	(829,211)	–
At 1 January 2001, as restated	1,813,482	(377)	776	–	(28)	(1,342,735)	471,118
Issuance of shares for acquisition of subsidiaries	405,280	–	–	–	–	–	405,280
Exercise of share options	12,187	–	–	–	–	–	12,187
Disposal of a subsidiary	150	–	–	–	–	–	150
Loss for the year	–	–	–	–	–	(635,887)	(635,887)
Transfer to general reserve	–	–	–	139	–	(139)	–
Exchange difference	–	–	–	–	(519)	–	(519)
At 31 December 2001	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329
Analysed by							
Company and subsidiaries	2,231,099	(377)	776	139	(512)	(1,917,321)	313,804
Jointly controlled entities	–	–	–	–	(35)	(52,046)	(52,081)
Associated companies	–	–	–	–	–	(9,394)	(9,394)
At 31 December 2001	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329

30. RESERVES (continued)

	Company				
	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	(9,505)	–	–	5	(9,500)
Arising from the reorganisation for listing	–	23,565	–	–	23,565
Issuance of shares by capitalisation of shareholders' loans	501,245	–	–	–	501,245
Application of share premium towards issuance of shares	(228,450)	–	–	–	(228,450)
Issuance of shares to the then shareholders and investors for cash	128,342	–	–	–	128,342
Issuance 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
Issuance of shares for acquisition of subsidiaries and associated companies	700,029	–	–	–	700,029
Share issuing expenses	(107,515)	–	–	–	(107,515)
Share repurchase	–	–	776	(776)	–
Loss for the year, as restated (Note a)	–	–	–	(1,081,971)	(1,081,971)
At 31 December 2000, as restated	2,288,126	23,565	776	(1,082,742)	1,229,725
At 1 January 2001, as restated (Note a)	2,288,126	23,565	776	(1,082,742)	1,229,725
Issuance of shares for acquisition of subsidiaries	405,280	–	–	–	405,280
Exercise of share options	12,187	–	–	–	12,187
Loss for the year	–	–	–	(821,189)	(821,189)
At 31 December 2001	2,705,593	23,565	776	(1,903,931)	826,003

Notes:

(a) The Company's loss for the year ended 31 December 2000 and the opening accumulated losses as at 1 January 2001 had been restated and increased by HK$829,211,000, being provision for impairment in interests in subsidiaries. This is to reflect the prior year adjustment in respect of the provision for impairment of goodwill made at the Group level (notes 1(c)(i) and 5).

(b) The Company's reserves available for distribution calculated under Companies Law of the Cayman Islands comprise the share premium account, contributed surplus and accumulated losses totalling HK$825,227,000 (2000: HK$1,228,949,000). In the opinion of the directors of the Company, the net reserves of the Company available for distribution to shareholders amounted to HK$288,743,000 (2000: HK$692,465,000).

31. OWN SHARES HELD

Own shares held represent the cost of 607,845 (2000: Nil) ordinary shares in the Company held by certain subsidiaries and are deducted in arriving at the shareholders' funds.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2001 HK$'000	2000 HK$'000
Operating loss	**(230,592)**	(383,336)
Restructuring costs	**(8,527)**	(37,717)
Provisions for diminution in value of investment securities	**6,334**	7,190
Depreciation	**88,266**	35,796
Amortisation of intangible assets	**20,799**	25,914
Loss on disposal of fixed assets	**1,102**	18,912
Gain on disposal of a subsidiary	**(13)**	–
Decrease/(increase) in inventories	**2,486**	(838)
(Increase)/decrease in trade and other receivables	**(120,851)**	22,936
(Decrease)/increase in trade and other payables	**(104,676)**	51,915
Increase in pension obligations	**2,697**	–
Interest income	**(23,069)**	(80,634)
Exchange adjustment	**(1,131)**	(253)
Net cash outflow from operating activities	**(367,175)**	(340,115)

(b) Purchase of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets acquired		
Intangible assets	**1,328**	–
Fixed assets	**47,772**	56,071
Interests in associated companies	**1,822**	–
Investment securities	**34,687**	2,430
Inventories	**93,755**	569
Trade and other receivables	**292,858**	117,071
Bank balances and cash	**45,721**	54,529
Trade and other payables	**(278,768)**	(226,285)
Taxation payable	**(41,086)**	–
Short-term loans	**(29,947)**	(1,410)
Loans from minority shareholders	**(1,895)**	–
Pension obligations	**(8,080)**	–
Deferred taxation	**(1,887)**	–
Minority interests	**(68,993)**	(1,204)
	87,287	1,771
Goodwill	**446,240**	1,049,250
	533,527	1,051,021
Satisfied by		
Cash	**344,695**	52,419
Allotment of shares	**107,836**	676,323
Consideration payables	**80,996**	322,279
	533,527	1,051,021

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Purchase of subsidiaries (continued)

The subsidiaries acquired during the year contributed HK$15,197,000 (2000: HK$7,771,000) to the Group's net operating cash flows, paid HK$267,000 (2000: received HK$468,000) in respect of the net returns on investments and servicing of finance and utilised HK$6,608,000 (2000: HK$4,185,000) for investing activities.

The financial position as at 31 December 2001 and post acquisition profit in respect of subsidiaries acquired during the year amounted to HK$92,482,000 and HK$6,015,000 respectively.

(c) Analysis of the net (outflow)/inflow in respect of the purchase of subsidiaries

	2001 HK$'000	2000 HK$'000
Cash consideration	**(344,695)**	(52,419)
Bank balances and cash acquired	**45,721**	54,529
Net cash (outflow)/inflow in respect of the purchase of subsidiaries	**(298,974)**	2,110

(d) Analysis of changes in financing during the year

	Share capital including premium and capital reserve HK$'000	Minority interests HK$'000	Shareholders' loans HK$'000	Bank loans HK$'000	Total HK$'000
At 1 January 2000	52,734	–	362,877	–	415,611
Cash items					
Loans from shareholders	–	–	138,832	–	138,832
Issuance of shares	1,504,960	–	–	–	1,504,960
Share issuing expenses	(107,515)	–	–	–	(107,515)
Repurchase of shares	(776)	–	–	–	(776)
Contribution from a minority shareholder	–	172	–	–	172
Non cash items					
Capitalisation of shareholders' loans	501,709	–	(501,709)	–	–
Shares issued for acquisition of subsidiaries, jointly controlled entities and associated companies	714,416	–	–	–	714,416
Goodwill eliminated against reserves, as restated	(536,484)	–	–	–	(536,484)
Minority's share of losses of subsidiaries	–	(10,546)	–	–	(10,546)
Minority's share of net assets of subsidiaries	–	10,173	–	–	10,173
Acquisition of subsidiaries	–	1,204	–	1,410	2,614
At 31 December 2000, as restated	2,129,044	1,003	–	1,410	2,131,457

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Analysis of changes in financing during the year (continued)

	Share capital including premium and capital reserve HK$'000	Minority interests HK$'000	Shareholders' loans HK$'000	Bank loans HK$'000	Other loans HK$'000	Total HK$'000
At 1 January 2001, as restated	2,129,044	1,003	–	1,410	–	2,131,457
Cash items						
Loans from shareholders	–	–	100,000	–	–	100,000
New bank and other loans	–	–	–	30,423	10,894	41,317
Loan repayments	–	–	–	(2,223)	(7,276)	(9,499)
Issuance of shares	12,912	–	–	–	–	12,912
Contribution from a minority shareholder	–	7,064	–	–	–	7,064
Non-cash items						
Shares issued for acquisition of subsidiaries and jointly controlled entities	416,381	–	–	–	–	416,381
Minority's share of profits of subsidiaries	–	7,185	–	–	–	7,185
Acquisition of subsidiaries	–	68,993	–	17,585	12,362	98,940
Disposal of a subsidiary	150	–	–	–	–	150
Elimination of own shares held	(1,091)	–	–	–	–	(1,091)
Exchange adjustment	–	(87)	–	(243)	(76)	(406)
At 31 December 2001	2,557,396	84,158	100,000	46,952	15,904	2,804,410

33. PLEDGE OF ASSETS

At 31 December 2001, bank deposits and cash totalling HK$63,230,000 (2000: HK$Nil) were pledged to banks for securing banking facilities granted to the Group's subsidiaries and a jointly controlled entity.

34. CONTINGENT LIABILITIES

As at 31 December 2001, the Group had contingent liabilities amounting to approximately HK$81,371,000 (2000: HK$Nil) comprising of:

(a) the contingent liabilities amounting to approximately HK$71,971,000 in respect of a litigation proceeding with International Merchandising Corporation on dispute over termination of a sponsorship contract, which is currently under arbitration; and

(b) the provision of fixed deposits amounting to approximately HK$9,400,000 as securities for bank loans granted to a jointly controlled entity in which Group has a 50% equity interest.

35. COMMITMENTS

(a) Capital commitments

	Group	
	2001 **HK$'000**	2000 HK$'000
Acquisition of new investments		
– Contracted but not provided for	**370,287**	171,366
Acquisition of fixed assets		
– Contracted but not provided for	**45,545**	1,290
	415,832	172,656

(b) At 31 December 2001, the Group had commitments in respect of contributions to registered capital of certain subsidiaries in Mainland China totalling HK$174,027,000 (2000: HK$198,900,000), of which HK$122,237,000 (2000: HK$198,900,000) has to be paid up within two years from 28 July 2000.

(c) Commitments under operating leases

At 31 December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings HK$'000	**Other assets HK$'000**	Land and buildings HK$'000	Other assets HK$'000
Not later than one year	**29,780**	**23,894**	26,319	1,880
Later than one year and not later than five years	**44,924**	**83,948**	56,327	–
Later than five years	**–**	**158,163**	–	–
	74,704	**266,005**	82,646	1,880

(d) At 31 December 2001, the Company had no capital commitment and commitment under operating leases (2000: HK$Nil).

36. RELATED PARTY TRANSACTIONS

In the opinion of the directors, the following is a summary of significant related party transactions, in addition to those disclosed in notes 16, 19, 21, 23 and 26 to the accounts.

		Group	
	Note	**2001 HK$'000**	2000 HK$'000
Office rental and service fee payable to related companies	(a)		
– a subsidiary of HWL		**5,390**	3,610
– a subsidiary of CKH		**12,807**	16,515
Service fees payable to	(b)		
– subsidiaries of HWL		**4,812**	4,197
– a jointly controlled entity		**3,442**	–
– a subsidiary of a minority shareholder		**3,357**	–
Fees for facility management service and lease line rental payable to an associated company of HWL	(c)	**1,510**	4,212
Internet content supply, event air-time and advertising expenses payable to Metro Broadcast Corporation Limited ("Metro"), an associated company of HWL and CKH		**3,641**	7,100
Media placement cost payable to 羊城晚報社, a minority shareholder of a subsidiary	(d)	**41,933**	–
Office rental and service fee receivable from Metro	(e)	**1,655**	–
Advertising and events revenue receivable from			
– subsidiaries of HWL		**1,440**	–
– a joint venture of HWL		**2,300**	–
– a minority shareholder of a subsidiary		**7,834**	–
– Metro		**598**	834
Interest income from loans to related companies	(f)		
– jointly controlled entities	16	**1,608**	–
– a minority shareholder of a subsidiary	19	**250**	–
Acquisition of 50% equity interest in Shanghai Maya Cultural Transmission Company Limited from a company beneficially owned by HWL, CKH and Cranwood		**64,939**	–
Interest expenses payable to related companies	(f) and 26		
– a subsidiary of HWL		**47**	–
– a subsidiary of CKH		**23**	–
– Cranwood		**47**	–
Content development and production service fees payable to Beijing ECLink Science and Technology Development Company Limited		**–**	2,489
Database sub-license fee payable to China Travel Network Company Limited		**–**	2,340

36. RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) The rental and service fee were payable to subsidiaries of HWL and CKH for office premises leased to the Group. The office premises were leased to the Group at market rates.

(b) The service fees were recharged by related companies on cost reimbursement basis for the provision of network development services, goods and administrative services.

(c) An associated company of HWL provided internet facilities management and line leasing services to the Group at market rates.

(d) Media placement services were charged by 羊城晚報社 to the Group at market rates.

(e) Rental of office premises was charged to Metro based on the floor areas occupied.

(f) Interests on loans to related companies were calculated at interest rates comparable to market.

37. SUBSEQUENT EVENTS

(a) On 28 January, 1 February, 28 February and 13 March 2002, the Group entered into agreements with certain independent third parties to acquire respective 50%, 60%, 60% and 50% of the equity interests in four outdoor media advertising companies in Mainland China for a total cash consideration of approximately HK$67,934,000 (subject to adjustments) and by issuance of 31,162,541 shares (subject to adjustments) of the Company at HK$5.51 per share.

(b) On 11 February 2002, an ordinary resolution was passed at the extraordinary general meeting of the Company to approve a stock purchase agreement in respect of the acquisition of a 100% equity interest in Business Weekly Publishing Inc. ("Business Weekly") from certain independent third parties for an aggregate consideration of up to approximately HK$370,287,253 (subject to adjustments). Business Weekly is engaged principally in the publication of magazines and books in Taiwan.

(c) On 5 March 2002, the Group entered into an agreement with an independent third party to acquire 50% of the equity interest in a company engaging in the business of making of (including manufacturing through outsourcing), distribution and sale of audio and video products in Mainland China for cash consideration of approximately HK$42,453,000 and by issuance of 11,151,548 shares of the Company at HK$5.51 per share. In addition, pursuant to the agreement, an additional 2,568,229 shares of the Company would be allotted at HK$5.51 per share to the management team of the acquired company for attaining an audited after tax profit of not less than approximately HK$28,302,000 for the year ending 31 December 2002.

38. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 15 March 2002.

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
	Online operations				
*	AASTOCKS.com LIMITED	Hong Kong, limited liability company	Operates financial website in Hong Kong	21,500,000 ordinary shares of HK$1 each	50%
	Advanced Internet Services Limited ("AIS")	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000,000 ordinary shares of US$0.01 each	100%
	Beijing GreaTom United Technology Co. Ltd.	Mainland China, limited liability company	Development of operating platform for broadband internet value-added services in Mainland China	Registered capital RMB25,000,000	70%
@	Beijing Lei Ting Wan Jun Network Technology Ltd.	Mainland China, limited liability company	Provision of internet content services and online advertising in Mainland China	Registered capital RMB1,000,000	100%
@	Beijing Lu Jing Ling Advertising Ltd.	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB1,000,000	100%
	Beijing Planet Network Travel Information Technology Limited	Mainland China, limited liability company	Travel-related software development and provision of consulting services in Mainland China	Registered capital US$2,250,000	100%
*	Beijing Redsail Netlegend Data Network Technology Company Limited	Mainland China, limited liability company	Provision of telecom value-added services in Mainland China	Registered capital RMB62,800,000	40%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
Beijing Super Channel Network Limited	Mainland China, limited liability company	Development of software, information system, computer network and website products in Mainland China	Registered capital US$13,000,000	100%
Blue Quartz Limited, 45% acquired on 1 December 2001	British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	100%
* Cernet Online Company Limited	Mainland China, limited liability company	Acts as primary internet services provider in Mainland China	Registered capital RMB10,000,000	37%
* ChinaPlus (Beijing) Company Limited	Mainland China, limited liability company	Operates call centres and interactive marketing business in Mainland China and Taiwan	Registered capital of US$3,500,000	50%
ECLink Electronic Network Systems (Shenzhen) Co. Ltd.	Mainland China, limited liability company	Software, electronics and computer network system development in Mainland China	Registered capital US$3,000,000	100%
* Maya Online Broadband Network (HK) Company Limited	Hong Kong, limited liability company	Holds intellectual property in Hong Kong	2 ordinary shares of HK$1 each	50%
* Shanghai Maya Online Broadband Network Company Limited	Mainland China, limited liability company	Operates a website and engages in content provision and development in Mainland China	Registered capital of RMB50,000,000	50%

	Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
	Sharkwave Information Technology (Beijing) Co. Ltd.	Mainland China, limited liability company	Provision of development and services relating to internet, electronic publishing and e-commerce technology in Mainland China	Registered capital US$2,000,000	100%
#	She Communications Limited (formerly known as She.com (Hong Kong) Limited)	Hong Kong, limited liability company	Operates a fashion website in Hong Kong	2 ordinary shares of HK$10 each	33.3%
*	Stocks Technology Enterprises Limited	BVI, limited liability company	Holds AASTOCKS.com software license in Hong Kong	1 ordinary share of US$1	50%
	tom.com (china) investment limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered capital US$30,000,000	100%
	tom.com enterprises limited	BVI, limited liability company	Holds the domain name of www.tom.com	1 ordinary share of US$1	100%
	TOM.COM INTERNATIONAL LIMITED	Hong Kong, limited liability company	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%
@	深圳市新飛網信息技術有限公司 ("Shenzhen Freenet") (Note a)	Mainland China, limited liability company	Operates 163.net, e-mails service provider in Mainland China	Registered capital RMB10,000,000	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
Offline operations				
Cité Publishing Limited, acquired on 1 October 2001	Taiwan, limited liability company	Publishing of books in Taiwan	28,171,506 ordinary shares of NT$10 each	48.99%
Home Media Group Limited, acquired on 1 October 2001	CI, limited liability company	Investment holding in Taiwan	999,892,935 ordinary shares of US$0.00001 each	49%
@ Kunming Fench Media Co. Ltd.	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
@ Kunming Fench Star Information Industry Limited	Mainland China, limited liability company	Advertising sales in Mainland China	Registered capital RMB11,000,000	100%
PC Home Publications Inc., acquired on 1 October 2001	Taiwan, limited liability company	Publishing of magazines which focus on information technology in Taiwan	18,310,000 ordinary shares of NT$10 each	47.88%
Perfect Team Limited, acquired on 1 December 2001	BVI, limited liability company	Advertising sales in Mainland China	4,000,000 ordinary shares of US$1 each	65%
Shanghai Maya Cultural Transmission Company Limited, acquired on 1 April 2001	Mainland China, limited liability company	Provision of advertising and marketing services in Mainland China	Registered capital RMB20,000,000	50%
Sharp Point Publishing Co. Ltd., acquired on 21 November 2001	Taiwan, limited liability company	Publishing of youth magazines and books in Taiwan	10,296,000 ordinary shares of NT$10 each	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Effective interest held
Yazhou Zhoukan Limited, acquired on 1 March 2001	Hong Kong, limited liability company	Publishing of regional news magazines in Asia	9,500 ordinary shares of HK$1 each	50%
Y.C. Press Advertising Limited	Hong Kong, limited liability company	Sports advertising and event management in Mainland China 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	Mainland China, limited liability company	Manages sponsorships and marketing of sports events and production of TV sports programs in Mainland China	Registered capital RMB5,000,000	70%
@ 廣東羊城報業廣告有限公司	Mainland China, limited liability company	Advertising, corporate image design and sale of products in Mainland China	Registered capital RMB1,980,000	70%

* Jointly controlled entity

\# Associated company

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

Note:

(a) Shenzhen Freenet is a domestic enterprise in Mainland China owned legally by Mr. Sing Wang, a director of the Company and another two Mainland China 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 since the year ended 31 December 2000.

The above table lists the principal subsidiaries, jointly controlled entities and associated companies of the Group at 31 December 2001 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, jointly controlled entities and associated companies would, in the opinion of the directors of the Company, result in particulars of excessive length.

Except tom.com enterprises limited and TOM.COM INTERNATIONAL LIMITED which are 100% directly held by the Company, the interests in the remaining subsidiaries, jointly controlled entities and associated companies are held indirectly.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "Annual General Meeting") of the shareholders of TOM.COM LIMITED ("TOM") will be held at the Grand Ballroom II, 1/F., Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Wednesday, 24 April 2002 at 11:30 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 2001;

2. to re-elect Directors;

3. to re-appoint auditors and authorize 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 nos. 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, 28 March 2002

Principal place of business:
48/F., 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 thereof, must be deposited with the principal place of business of TOM at 48/F., 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).