

First Quarterly Report 2003



TOM.COM LIMITED

Incorporated in the Cayman Islands with limited liability



Results on Track

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

DEFINITIONS

“Associates”	means	the same definition as described under the GEM Listing Rules
“Cité”	means	TOM’s Taiwan print media group of companies
“CKH”	means	Cheung Kong (Holdings) Limited
“COA”	means	Communication Over The Air Inc.
“CYTS”	means	中青旅電子商務有限公司 (China Youth Travel Services E-commerce Co.)
“Director(s)”	means	the director(s) of TOM
“GEM”	means	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means	the Rules Governing the Listing of Securities on the GEM
“Greater China”	means	Mainland China, Hong Kong, Macau and Taiwan
“HWL”	means	Hutchison Whampoa Limited
“Lei Ting Wu Ji”	means	北京雷霆無極網絡科技有限責任公司(Beijing Lei Ting Wu Ji Network Technology Limited)
“Mainland China” or “Mainland”	means	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan

“Maya Cultural”	means	上海美亞文化傳播有限公司 (Shanghai Maya Cultural Transmission Company Limited)
“Maya Online”	means	上海美亞在線寬頻網絡有限公司 (Shanghai Maya Online Broadband Network Company Limited)
“MMS”	means	multimedia messaging services
“Pre-IPO Share Option Plan”	means	the Pre-IPO Share Option Plan adopted by TOM on 11 February 2000 (as described in Appendix IV to TOM’s prospectus dated 18 February 2000)
“SDI Ordinance”	means	the Securities (Disclosure of Interests) Ordinance
“Share Option Scheme”	means	the share option scheme adopted by TOM on 11 February 2000 (as amended)
“SMS”	means	short messaging services
“Stock Exchange”	means	The Stock Exchange of Hong Kong Limited

CHAIRMAN'S STATEMENT

I am pleased to announce the results of TOM.COM LIMITED (“TOM” or the “Company”) and its subsidiaries (collectively referred to as the “TOM Group” or the “Group”) for the three months ended 31 March 2003.

The first quarter of the year is historically the weakest quarter for the media market in Greater China, primarily due to the Chinese New Year breaks. This weak seasonality was compounded by ongoing uncertainty about the global economic environment, resulting in continued muted levels of spending from both consumers and advertising clients.

Key first quarter achievements include:

- 56% growth in total revenue over the same period last year
- Online revenue rose 152% year-on-year
- Offline revenue increased by 40% year-on-year
- Net loss continued to narrow, on track to attain after tax profitability

Financial Highlights

	For the three month period ended		
	31 March 2003	31 December 2002	31 March 2002
	HK\$'000	HK\$'000	HK\$'000
Turnover	411,404	493,355	264,521
Gross profit	152,219	187,762	94,238
Earnings (Loss) before interest, taxation, depreciation and amortisation (EBITDA)#	10,371	41,738	(35,109)
Depreciation and amortisation	44,966	44,125	32,395
Loss attributable to shareholders*	(42,857)	(240,937)	(74,948)

Earnings before interest, taxation, depreciation and amortisation for the three-month period ended 31 December 2002 excludes one-time expenses and non-cash provisions totalling HK\$231 million.

* Loss attributable to shareholders for the three-month period ended 31 December 2002 includes provision for impairment of goodwill of HK\$197 million.

Financial Performance

The TOM Group delivered strong growth in the first quarter of 2003 over the corresponding period in 2002. Unaudited consolidated revenue amounted to HK\$411 million this quarter, an increase of 56% from the same period last year. Online revenue grew by 152% year-on-year to HK\$94 million on the strength of significant growth in wireless data services, while Offline revenue increased by 40% year-on-year to HK\$317 million. Operating expenses were reduced 16% quarter-on-quarter.

TOM recorded EBITDA of HK\$10 million this quarter, its fourth consecutive quarter of positive EBITDA and a reversal of the HK\$35 million EBITDA loss recorded in the same period in 2002. Net loss narrowed by 43% year-on-year from HK\$75 million to HK\$43 million. Stripping out depreciation and amortisation charges of HK\$45 million, a net profit of HK\$2 million would have been achieved.

The Group's revenue fell short of the previous quarter's strong performance as a result of advertising seasonality, in particular Sports Marketing, whose event-based business has strong seasonal characteristics. Revenue and gross margins from other divisions performed broadly in line with the previous quarter and Online in particular delivered improved results. Net loss continued to be reduced quarter-on-quarter (even excluding the goodwill provisions made in the previous quarter).

Business Review

Online

TOM's Online Division continued to deliver a solid profitable performance, with wireless data services maintaining strong growth momentum. SMS continued to be the key growth driver, registering a 42% quarter-on-quarter increase in revenue – traffic was especially high in volume during the Chinese New Year period, with a total of 40 million messages generated over the festive period alone. The number of SMS users also increased to over 15 million and the number of short messages processed a day doubled to as many as 5 million. A host of new MMS applications drew 350,000 users who generated on average 200,000 multimedia messages a day. Mobile and pay e-mail subscriber uptake sustained double-digit growth to reach 900,000, with the subscription ISP service drawing over 100,000 new subscribers. Other activities included a 9-city co-branded roadshow with China Mobile to promote new wireless data services.

Outdoor

The Group established an outdoor media service centre in Guangzhou adding to the sales network that will provide one-stop nationwide services to key accounts. Together with the existing media service centres in Beijing and Shanghai, the Group sales team generated HK\$12 million in sales contracts for media buying services on TOM's network this quarter. Further cost synergies were realised through the consolidation of certain back-office functions including procurement, visual production and market research. New concessions obtained in the quarter included just under 200 advertising panels contributing an addition of over 6,000 square metres of outdoor asset space, in multiple locations throughout the provinces of Sichuan, Shandong, Yunnan, Fujian, Henan and Liaoning. Over two-thirds of the capacity increase was in the billboard asset class, with the remainder in the street furniture and transport category.

Publishing

In the first quarter, Cité won the bid to become the official organiser of the 2004 Taipei International Book Exhibition (“TIBE”), formally approved by the Taiwan government. TIBE, previously run by the Publishing Foundation of Taiwan up until this year, is Taiwan’s largest scale and most internationalised publishing industry event, with just under 300,000 visitors and participation from over 1,000 exhibitors. Cité was selected for its wide exposure to and market influence in the local publishing industry, with its production volumes of books and magazines being one of the largest in Taiwan, as well as its key relationships with a multitude of international authors, publishers and distributors. Other business developments included the launch of 11 new magazine titles in Taiwan, with a total of 376 new book titles published. A further 26 book titles were licensed by Cité for production by Mainland publishers – over 190 titles are now produced as licensed publications in Mainland China. *Business Weekly* continued to enjoy steady growth in Mainland China, with a 20% increase in the subscription base over the last quarter.

Sports & Entertainment

The first quarter of the year is historically the weakest quarter for the sports marketing sector in Mainland China due to a lower number of sporting events. The Company focused on planning a series of sporting events targeted at the younger generation, including the Secondary School Football League and the Inter-collegiate Volleyball League, in response to demonstrated interest by advertisers keen on tapping Mainland China’s youth market. In addition, good progress has been made in recruiting sponsors for the ATP tennis open in Beijing and Bangkok this year – formal approval was obtained for the Beijing tournament to be renamed as the “China Open”. The Group also secured rights to the China International Diving Series from 2003 to 2008.

Business Outlook

The current health crisis in the region will be challenging to all businesses, given the already difficult market environment. Notably, some of our sports marketing events, depending on developments in the situation and discussions with sponsors, may be deferred to a later date during the year due to concerns about public health when organizing mass spectator activities. However, with the Online Division commencing fee charging for MMS as of 1 April, we expect that with the continued focus on high-margin subscription-based services, our wireless data business will continue to demonstrate healthy revenue growth. We believe that, given the strong market positions within each of our business lines, our business units will weather the difficult commercial conditions.

I would like to take this opportunity to express our thanks to the resigned Chief Financial Officer, Mr. Don Lee, and Chief Operating Officer, Ms. Michelle Leung for their valuable contribution to the Group. We would also like to welcome aboard Ms. Tommei Tong as our new Chief Financial Officer and Executive Director. With the ongoing expansion of the Group's business, we continue to focus on strengthening our senior management team, with the operational responsibilities now delegated to the divisional management.

Overall, I am confident that the Group's performance in the first quarter is keeping TOM firmly on track to attain its financial targets for the year.

Frank Sixt
Chairman

Hong Kong, 14 May 2003

UNAUDITED CONSOLIDATED RESULTS

For the three months ended 31 March 2003

	<i>Note</i>	Three months ended 31 March	
		2003 HK\$'000	2002 HK\$'000
Turnover		411,404	264,521
Cost of sales		259,185	170,283
Interest income		(626)	(1,652)
Selling and marketing expenses		44,275	39,825
Administrative expenses		47,399	47,067
Other operating expenses		92,850	63,762
Operating loss		31,679	54,764
Finance costs		4,980	3,534
Share of losses of jointly controlled entities		2,598	10,769
Share of profits less losses of associated companies		(308)	319
Loss before taxation		38,949	69,386
Taxation	2	3,926	8,196
Loss after taxation		42,875	77,582
Minority interests		(18)	(2,634)
Loss attributable to shareholders		42,857	74,948
Loss per share – basic	3	HK1.29 cents	HK2.28 cents

Notes:

1. 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. They have been prepared under the historical cost convention except that certain investment securities are stated at fair value.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Three months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	–	68
Overseas taxation	2,915	5,972
Deferred taxation	1,011	2,156
	<u>3,926</u>	<u>8,196</u>

3. Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to shareholders of HK\$42,857,000 (2002: HK\$74,948,000) and the weighted average of 3,330,746,066 (2002: 3,285,181,008) ordinary shares in issue during the period.

The exercise of share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months period ended 31 March 2003 and 2002.

4. Dividends

No dividends had been paid or declared by the Company during the period (2002: Nil).

5. Movement of reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserves HK\$'000	Exchange difference HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329
Issuance of shares for acquisition of subsidiaries	9,060	-	-	-	-	-	9,060
Exercise of share options	17,815	-	-	-	-	-	17,815
Share issuing expenses	(183)	-	-	-	-	-	(183)
Loss for the period	-	-	-	-	-	(74,948)	(74,948)
Exchange difference	-	-	-	-	147	-	147
At 31 March 2002	<u>2,257,791</u>	<u>(377)</u>	<u>776</u>	<u>139</u>	<u>(400)</u>	<u>(2,053,709)</u>	<u>204,220</u>
	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	General reserves HK\$'000	Exchange difference HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	2,333,916	(377)	776	343	(802)	(2,388,544)	(54,688)
Issuance of shares for acquisition of subsidiaries	49,538	-	-	-	-	-	49,538
Share issuing expenses	(53)	-	-	-	-	-	(53)
Loss for the period	-	-	-	-	-	(42,857)	(42,857)
Transfer to general reserves	-	-	-	4,613	-	(4,613)	-
Exchange difference	-	-	-	-	51	-	51
At 31 March 2003	<u>2,383,401</u>	<u>(377)</u>	<u>776</u>	<u>4,956</u>	<u>(751)</u>	<u>(2,436,014)</u>	<u>(48,009)</u>

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2003, the interests of the Directors in the shares and options of TOM and its associated corporations (within the meaning of the SDI Ordinance), as required to be recorded in the register maintained by TOM under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to TOM and the Stock Exchange were as follows:

(a) Directors' interests in shares

Name of Director	Number of shares of TOM				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Sing Wang <i>(Note)</i>	-	-	5,898,000	-	5,898,000
Wang Lei Lei	300,000	-	-	-	300,000

Note: By virtue of the SDI Ordinance, Mr. Sing Wang is deemed to be interested in 5,898,000 shares of TOM held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

(b) Directors' rights to acquire shares

Pursuant to the Pre-IPO Share Option Plan and/or the Share Option Scheme, certain Directors were granted share options to subscribe for the shares of TOM, details of which as at 31 March 2003 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 31 March 2003	Option period	Subscription price per share of TOM HK\$
Sing Wang	30/6/2000	3,000,000	30/6/2000-29/6/2010	5.27
	8/8/2000	2,138,000	8/8/2000-7/8/2010	5.30
	7/2/2002	20,000,000	7/2/2002-6/2/2012	3.76
Lee Kwok Ming, Don (Note 1)	7/2/2002	10,000,000	7/2/2002-6/2/2012	3.76
Michelle Leung (Note 2)	31/5/2000	2,332,000	31/5/2000-30/5/2010	4.685
	8/8/2000	700,000	8/8/2000-7/8/2010	5.30
	7/2/2002	10,000,000	7/2/2002-6/2/2012	3.76
James Sha	15/11/2000	15,000,000	15/11/2000-14/11/2010	5.30
Wang Lei Lei	11/2/2000	9,080,000	11/2/2000-10/2/2010	1.78
	7/2/2002	850,000	7/2/2002-6/2/2012	3.76

Notes:

1. Mr. Lee Kwok Ming, Don resigned as an executive Director with effect from 1 April 2003.
2. Ms. Michelle Leung resigned as an executive Director with effect from 2 May 2003.

Save as disclosed above, during the three months ended 31 March 2003, none of the Directors or their Associates was granted options to subscribe for shares of TOM, nor had exercised such rights.

Save as disclosed above, none of the Directors or their Associates had, as at 31 March 2003, any interests in the shares of TOM or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

OUTSTANDING SHARE OPTIONS

As at 31 March 2003, options to subscribe for an aggregate of 125,412,000 shares of TOM granted pursuant to the Pre-IPO Share Option Plan and the Share Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 31 March 2003, options to subscribe for an aggregate of 16,196,000 shares of TOM at a subscription price of HK\$1.78 per share were outstanding. The options were granted to 3 persons who are employees of the Group at the date of grant. All of these options have a duration of 10 years from 11 February 2000, but shall lapse where the grantee ceases to be employed by the Group or the HWL group of companies.

(b) Share Option Scheme

Options to subscribe for an aggregate of 109,216,000 shares of TOM (which includes the options granted to Mr. Sing Wang, Mr. Lee Kwok Ming, Don, Ms. Michelle Leung, Mr. James Sha and Mr. Wang Lei Lei as disclosed above) were outstanding as at 31 March 2003, breakdown of which are set out below:

Date of grant	No. of share options	No. of employees	Subscription price per share of TOM HK\$	Option period * (commencing from date of grant and terminating ten years thereafter)
23/3/2000	3,074,000	71	11.3	23/3/2000-22/3/2010
31/5/2000	2,332,000	1	4.685	31/5/2000-30/5/2010
26/6/2000	1,518,000	43	5.89	26/6/2000-25/6/2010
30/6/2000	3,000,000	1	5.27	30/6/2000-29/6/2010
8/8/2000	19,948,000	171	5.30	8/8/2000-7/8/2010
9/11/2000	1,120,000	1	5.30	9/11/2000-8/11/2010
15/11/2000	15,000,000	1	5.30	15/11/2000-14/11/2010
7/2/2002	63,224,000	50	3.76	7/2/2002-6/2/2012

* Those options that have been vested may be exercised within the option period, unless they have been cancelled. Generally, the options are vested in different tranches (some of which are conditional).

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the persons or corporations whose interests, being 10% or more of the issued share capital of TOM, as recorded in the register required to be kept under section 16(1) of the SDI Ordinance or have otherwise notified to TOM were as follows. These interests are in addition to those disclosed above in respect of the Directors:

Name of shareholders	No. of shares of TOM held
Li Ka-shing	1,429,024,545 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Holdings Limited	1,429,024,545 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Trustee Corporation Limited (<i>as trustee of The Li Ka-Shing Unity Discretionary Trust</i>)	1,429,024,545 (<i>Notes 1 & 2</i>)
Li Ka-Shing Unity Trustee Company Limited (<i>as trustee of The Li Ka-Shing Unity Trust</i>)	1,429,024,545 (<i>Notes 1 & 2</i>)
Cheung Kong (Holdings) Limited	1,429,024,545 (<i>Notes 1 & 2</i>)
Cheung Kong Investment Company Limited	476,341,182 (<i>Note 1</i>)
Cheung Kong Holdings (China) Limited	476,341,182 (<i>Note 1</i>)
Sunnylink Enterprises Limited	476,341,182 (<i>Note 1</i>)
Romefield Limited	476,341,182 (<i>Note 1</i>)
Hutchison Whampoa Limited	952,683,363 (<i>Note 2</i>)
Hutchison International Limited	952,683,363 (<i>Note 2</i>)
Easterhouse Limited	952,683,363 (<i>Note 2</i>)
Chau Hoi Shuen	952,683,363 (<i>Note 3</i>)
Cranwood Company Limited	952,683,363 (<i>Note 3</i>)
Schumann International Limited	580,000,000 (<i>Note 3</i>)
Handel International Limited	348,000,000 (<i>Note 3</i>)

Notes:

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

By virtue of the SDI Ordinance, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of TOM held by Romefield Limited.

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

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

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of TOM held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SDI Ordinance, Mr. Li Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of TOM and 952,683,363 shares of TOM held by Romefield Limited and Easterhouse Limited respectively.

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

By virtue of the SDI Ordinance, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of TOM and 348,000,000 shares of TOM held by Schumann International Limited and Handel International Limited respectively in addition to 24,683,363 shares of TOM held by itself.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen is deemed to be interested in 24,683,363 shares of TOM, 580,000,000 shares of TOM and 348,000,000 shares of TOM held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman and a non-executive director of TOM respectively, are executive directors of HWL and directors of certain of its Associates (collectively referred to as “HWL Group”). Mr. Frank Sixt is also a non-executive director of CKH. Mr. Edmond Ip, a non-executive director of TOM, 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 TOM, 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 of CYTS may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Sing Wang in the Internet industry will complement the development of the Group’s business.

Mr. Wang Lei Lei, a non-executive director of TOM, is a director and a shareholder of Lei Ting Wu Ji whose main business consists of the provision of wireless data services. Mr. Wang Lei Lei is also a director and a shareholder of COA whose main business consists of the provision of WAP technical programming and application services. Mr. Wang Lei Lei has granted options to Devine Gem Management Limited (beneficially owned by Ms. Chau Hoi Shuen), under which, Devine Gem Management Limited is entitled at any time to acquire all of Mr. Wang Lei Lei’s equity/ shareholding interests in Lei Ting Wu Ji and COA. The Directors believe that there is a risk that such businesses may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Wang Lei Lei in the Internet industry will complement the development of the Group’s business.

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

WAIVERS FOR CERTAIN DISCLOSURE OBLIGATIONS UNDER CHAPTER 17 OF THE GEM LISTING RULES

As the net tangible assets (i.e. the aggregate of capital and reserves (excluding minority interests and intangibles)) shown in TOM's latest published audited consolidated financial statements for the year ended 31 December 2002 was negative, any advance to an entity or any financial assistance granted to or any guarantee (however minor) given for the benefit of the affiliated companies of the Group which remained outstanding as at 31 December 2002 or made after 31 December 2002 would give rise to a disclosure obligation under Rules 17.15, 17.16, 17.17 and 17.18 of the GEM Listing Rules. As it was impracticable to strictly comply with the rules, TOM has made an application to the Stock Exchange for substitution of "net tangible assets" with "net assets" when interpreting, inter alia, Rules 17.15, 17.16 and 17.18 of the GEM Listing Rules.

On 3 April 2003, the GEM Listing Committee granted waivers in respect of, inter alia, the following disclosure obligations under Chapter 17 of the GEM Listing Rules and to adopt a modified approach in the calculation of the thresholds. In respect of Rules 17.15, 17.16 and 17.18 of the GEM Listing Rules, "net tangible assets" will be substituted by "net assets" and the percentage thresholds will be downward adjusted as follows:

GEM Listing Rules	Modified percentage thresholds
Rule 17.15 – advance to an entity	8% or more
Rule 17.16 – further advance to an entity	3% or more
Rule 17.18 – financial assistance to affiliates	8% or more

Disclosure obligation will be triggered immediately upon such thresholds being met.

The aforesaid waivers are valid until the earlier of (1) an amendment to the GEM Listing Rules in this area; or (2) the publication or the due date of the annual report of TOM for the year ending 31 December 2003 (i.e. on or before 31 March 2004).

ADVANCES TO AN ENTITY

Based on the modified approach in determining the disclosure obligations under Chapter 17 of the GEM Listing Rules as mentioned above, as at 31 March 2003, details of advances (including guarantee given by the Group) which are non-trading nature, made by the Group to the following entities (which amount exceeds 8% of the net asset value of the Group as at 31 December 2002) were as follows:

Name of company	Relationship with the Group	Advances	Corporate guarantee
		HK\$'000	HK\$'000
Maya Online	Investee company	11,271 (<i>Note 1</i>)	9,400 (<i>Note 4</i>)
		18,798 (<i>Note 2</i>)	
		70,899 (<i>Note 3</i>)	
Maya Cultural	Investee company	29,849 (<i>Note 5</i>)	

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 March 2003 are unsecured, interest free and repayable on demand.

4. This represents the corporate guarantee secured by 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 loan has been fully utilized by Maya Online.
5. These advances to Maya Cultural made between the period from 5 February 2001 to 31 March 2003 are unsecured, interest free and repayable on demand.

In addition, as at 31 March 2003, details of the trade receivables of the Group due from the following entities (which amount exceeds 8% of the net asset value of the Group as at 31 December 2002) were as follows:

Name of customers	Balance of trade receivables
	HK\$
廣東精彩無限文化有限公司 and its related companies	36,594,210
農學股份有限公司(Nung Hsueh Co. Ltd.)	41,510,241

Notes:

1. The above trade receivables were resulted from sales to these customers by the Group in its ordinary course of business and on normal commercial terms.
2. The above trade receivables are unsecured and in accordance with terms specified in the contracts governing the relevant transactions (such as delivery periods, payment periods (the above trade receivables are expected to be settled within 4 months from 31 March 2003), rights and obligations of the relevant parties in respect of their performance under the contracts). No collateral is required to be made by the above customers and no interest is charged on any of the trade receivables.

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises an executive Director, Ms. Tommei Tong and two independent non-executive Directors, namely Mrs. Angelina Lee and Mr. Henry Cheong.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2003, neither TOM nor any of its subsidiaries purchased, sold or redeemed any of TOM's listed shares.