

Report of the Directors

The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31 December 2004.

Change of company name

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 23 February 2004, the name of the Company was changed from "TOM.COM LIMITED" to "TOM Group Limited" and "TOM集團有限公司" was adopted as the Chinese name of the Company with effect from 23 February 2004.

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 130 to 136.

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 recommend the payment of a dividend.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 32 to the accounts.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 15 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 30 and 31 to the accounts respectively.

Distributable reserves

Details of the distributable reserves of the Company as at 31 December 2004 are set out in note 32 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*)

Mr. Sing Wang

Ms. Tong Mei Kuen, Tommei

Mr. Cheong Ying Chew, Henry#

Ms. Wu Hung Yuk, Anna#
 Mr. James Sha# *(re-designated as independent non-executive Director on 4 August 2004)*
 Ms. Chang Pui Vee, Debbie*
 Mrs. Chow Woo Mo Fong, Susan*
 Mr. Ip Tak Chuen, Edmond*
 Mrs. Lee Pui Ling, Angelina* *(re-designated as non-executive Director on 4 August 2004)*
 Mr. Holger Kluge*
 Mr. Wang Lei Lei*

* non-executive Directors

independent non-executive Directors

In accordance with Article 116 of the Company's Articles of Association, all the existing Directors 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 and Ms. Tong Mei Kuen, Tommei, being all the executive Directors has entered into a continuous service contract with the Group commencing from 1 June 2000 in the case of Mr. Sing Wang and 17 March 2003 in the case of Ms. Tong Mei Kuen, Tommei. Mr. Wang Lei Lei, being a non-executive Director, has also entered into a continuous service contract with TOM Online commencing from 1 January 2004. The term of the contracts with Mr. Sing Wang and Ms. Tong Mei Kuen, Tommei are continuous unless terminated by not less than three months' notice in writing served by either party on the other. The term of the contract with Mr. Wang Lei Lei is fixed at three years and thereafter will be continuous unless terminated by not less than three months' notice served by either party on the other.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting of the Company 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).

Confirmation of independence of independent non-executive Directors

The Company has received from each of Mr. Cheong Ying Chew, Henry, Ms. Wu Hung Yuk, Anna and Mr. James Sha an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent non-executive Directors to be independent.

Directors' profile

The Directors' profile is set out on pages 36 to 37.

Directors' emoluments

Details of the Directors' emoluments are set out in note 14 to the accounts.

Share Option Schemes of the Group

A. The Company

Pursuant to the written resolutions of the shareholders of the Company dated 11 February 2000, two share option schemes namely, the Pre-IPO Share Option Plan ("Pre-IPO Share Option Plan") and the employees share option scheme (which was amended on 24 April 2002) ("Old Option Scheme") were adopted by the Company.

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 23 July 2004, the Company adopted a new share option scheme ("New Option Scheme") and terminated the Old Option Scheme due to the withdrawal of the listing of the shares of the Company on GEM and commencement of dealings of the shares of the Company on the Main Board. The adoption of the New Option Scheme and the termination of the Old Option Scheme took effect from 4 August 2004 (listing date of the shares of the Company on the Main Board) (the Pre-IPO Share Option Plan, the Old Option Scheme and the New Option Scheme collectively are referred to as the "Schemes").

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 purpose of the Old Option Scheme and the New Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Old Option Scheme shall be an incentive to encourage the participants and to allow the participants to enjoy the results of the Company attained through their efforts and contribution.

(b) Participants of the Schemes

Pursuant to the Pre-IPO Share Option Plan, the Company may grant options to any full-time employee 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.

Pursuant to the Old Option Scheme and the New Option Scheme, the Board may, at its discretion, invite any participant (including any employee and director of the Group and of any company in which the Group owns or controls 20% or more of its voting rights and/or issued share capital, business associate and trustee) to take up option to subscribe for shares of the Company. However, participants do not include any substantial shareholder of the Company and/or any of its Associates. No further options may be granted under the Old Option Scheme upon its termination.

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

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the New Option Scheme (i.e., 388,941,336 shares of the Company, which represents approximately 10% of the issued share capital of Company as at 23 March 2005).

The maximum number of shares of the Company which may be issued upon exercise of outstanding options granted and yet to be exercised under the Schemes and any other share option schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

(e) Time of exercise of options

Pursuant to the Pre-IPO Share Option Plan, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board 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.

Pursuant to the Old Option Scheme and the New Option Scheme, any option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee provided that the period within which the options must be exercised shall not be 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 of the option.

(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 Old Option Scheme and the New Old Scheme shall be determined by the Board at its absolute discretion and notified to each participant 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, which must be a business day;
- (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 and the Old Option Scheme have no remaining life as no further options may be granted but the provisions of the Pre-IPO Share Option Plan and the Old Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Pre-IPO Share Option Plan and the Old Option Scheme respectively may continue to be exercisable in accordance with their respective terms of issue.

The New Option Scheme will continue to be in full force and effect for a period of 10 years commencing on 23 July 2004 (save that the Company, by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Option Scheme). After termination, no further options will be granted but the provisions of the New Option Scheme shall in all other respects remain in full force and effect and the options which are granted during the life of the New Option Scheme may continue to be exercised in accordance with their terms of issue.

The other principal terms of the Pre-IPO Share Option Plan, the Old Option Scheme and the New Option Scheme are set out in the listing document of the Company dated 29 June 2004.

B. TOM Online

Pursuant to the written resolutions of the then sole shareholder of TOM Online dated 12 February 2004, two share option schemes namely, Pre-IPO Share Option Plan (“TOM Online Pre-IPO Share Option Plan”) and the share option scheme (“TOM Online Option Scheme”) were adopted by TOM Online (the TOM Online Pre-IPO Share Option Plan and the TOM Online Option Scheme are collectively referred to as the “TOM Online Schemes”).

Summary of the TOM Online Schemes

(a) Purpose of the TOM Online Schemes

The purpose of the TOM Online Pre-IPO Share Option Plan is to recognise the contribution of certain employees of TOM Online to the growth of the TOM Online Group and/or the listing of shares of TOM Online on GEM.

The purpose of the TOM Online Option Scheme is to provide the TOM Online Group with a flexible means of attracting, retaining and motivating talented participants to strive for future developments and expansion of the TOM Online Group. This scheme shall be an incentive to encourage the participants and to allow the participants to enjoy the results of TOM Online attained through their efforts and contributions.

(b) Participants of the TOM Online Schemes

Pursuant to the TOM Online Schemes, the board of directors of TOM Online may, at its discretion, invite (i) any part-time or full-time employees or directors (including any executive director and independent non-executive director) of the Company and/or any company in the TOM Online Group and (ii) any advisor or consultant to the TOM Online Group provided, however, that such advisor or consultant (A) is a natural person, (B) provides *bona fida* services to the TOM Online Group and (C) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly make a market for TOM Online’s securities (other than any substantial shareholder of TOM Online and/or any of its Associates (within the meaning of the GEM Listing Rules) to take up options to subscribe for shares of TOM Online.

However, save for the options which have been granted on 16 February 2004, no further options may be granted upon the listing of the shares of TOM Online on GEM on 11 March 2004.

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

The total number of shares of TOM Online which may be issued upon exercise of all options to be granted under the TOM Online Option Scheme and any other share option schemes of TOM Online shall not in aggregate exceed 10% of the total number of shares of TOM Online in issue on 1 March 2004, being the effective date of refreshment of the 10 per cent. limit on the grant of options under the TOM Online Option Scheme (i.e., 280,000,000 shares of TOM Online, which represents approximately 7.19% of the issued share capital of TOM Online as at 23 March 2005).

The maximum number of shares of TOM Online which may be issued upon exercise of all outstanding options granted and yet to be exercised under the TOM Online Schemes and any other share option schemes of TOM Online shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares of TOM Online in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares of TOM Online issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of TOM Online in issue.

(e) Time of exercise of options

Pursuant to the TOM Online Schemes, any option may be exercised in accordance with its terms at any time during a period to be notified by the board of directors of TOM Online to each grantee provided that the period within which the option must be exercised shall be more than 10 years from the date of grant of the option.

(f) Payment on acceptance of option

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

(g) Basis of determining the subscription price

The subscription price per share under the TOM Online Pre-IPO Share Option Plan is HK\$1.50, being the price per share at which the shares are offered for subscription by the public at the initial public offer of shares of TOM Online.

The subscription price per share under the TOM Online Option Scheme shall be determined by the board of directors of TOM Online at its absolute discretion and notified to each grantee and shall be no less than the higher of:-

- (i) the closing price of the shares of TOM Online as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;
- (ii) the average closing price of the shares of TOM Online 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 TOM Online.

(h) Remaining life of the TOM Online Schemes

The TOM Online 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 TOM Online Option Scheme will remain valid for a period of 10 years commencing on 12 February 2004 (save that TOM Online, by ordinary resolution in general meeting or the board of directors of TOM Online may at any time terminate the operation of the TOM Online Option Scheme). After termination, no further options will be granted but the provisions of the TOM Online Option Scheme shall in all other respects remain in full force and effect and the options which are granted during the life of the TOM Online Option Scheme may continue to be exercised in accordance with their terms of issue.

The other principal terms of the TOM Online Schemes are set out in the prospectus of TOM Online dated 2 March 2004.

Outstanding share options

A. The Company

As at 31 December 2004, options to subscribe for an aggregate of 198,953,000 shares of the Company granted pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme were outstanding. Details of which were as follows:

(a) Pre-IPO Share Option Plan

As at 31 December 2004, options to subscribe for an aggregate of 16,196,000 shares of the Company were outstanding and these options relate to the options granted to 3 persons who were employees of the Group at the date of grant. Details of which were as follows:

	Date of grant	Outstanding as at 1 January 2004	Number of share options			Outstanding as at 31 December 2004	Option Period	Subscription price per share of the Company HK\$
			Exercised during the year	Lapsed during the year	Cancelled during the year			
Director	11/2/2000	9,080,000	–	–	–	9,080,000 (Note)	11/2/2000 – 10/2/2010	1.78
Employees	11/2/2000	7,116,000				7,116,000 (Note)	11/2/2000 – 10/2/2010	1.78
Total		16,196,000	–	–	–	16,196,000		

Note:

The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.

(b) Old Option Scheme

As at 31 December 2004, options to subscribe for an aggregate of 182,757,000 shares of the Company which were granted to certain Directors and continuous contract employees of the Group were outstanding. Details of which were as follows:

	Date of grant	Outstanding as at 1 January 2004	Number of share options				Outstanding as at 31 December 2004	Option period	Subscription price per share of the Company HK\$
			Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year			
Directors									
(Note 1)	30/6/2000	3,000,000	-	-	-	-	3,000,000	30/6/2000 – 29/6/2010	5.27
	8/8/2000	2,138,000	-	-	-	-	2,138,000	8/8/2000 – 7/8/2010	5.30
	15/11/2000	15,000,000	-	-	-	-	15,000,000	15/11/2000 – 14/11/2010	5.30
	7/2/2002	20,000,000	-	-	-	-	20,000,000	7/2/2002 – 6/2/2012	3.76
	9/10/2003	59,850,000	-	-	-	-	59,850,000	9/10/2003 – 8/10/2013	2.505
Employees	23/3/2000	2,672,000	-	-	604,000	-	2,068,000 (Note 2)	23/3/2000 – 22/3/2010	11.30
	31/5/2000	2,332,000	-	-	-	-	2,332,000 (Note 3)	31/5/2000 – 30/5/2010	4.685
	26/6/2000	1,192,000	-	-	306,000	-	886,000 (Note 4)	26/6/2000 – 25/6/2010	5.89
	8/8/2000	15,894,000	-	-	-	2,406,000	13,488,000 (Note 5)	8/8/2000 – 7/8/2010	5.30
	7/2/2002	17,810,000	-	-	-	7,810,000	10,000,000 (Note 6)	7/2/2002 – 6/2/2012	3.76
	9/10/2003	46,391,000	-	-	2,396,000	-	43,995,000 (Note 7)	9/10/2003 – 8/10/2013	2.505
	16/2/2004	-	10,000,000	-	-	-	10,000,000 (Note 8)	16/2/2004 – 15/2/2014	2.55 (Note 9)
Total		186,279,000	10,000,000	-	3,306,000	10,216,000	182,757,000		

Notes:

1. Details of the options granted to the Directors are set out in the section headed "Directors' interest and short positions in shares, underlying shares and debentures" below.
2. The options will vest in two tranches in the proportion of 50%:50%. The first tranche of the options has vested on 23 March 2005 and the second tranche of the options will vest on 23 March 2006.
3. The options have vested on 31 May 2001.
4. The options will vest in two tranches in the proportion of 50%:50% on 26 June 2005 and 26 June 2006 respectively.
5. The options have vested on (i) 8 August 2001 or (ii) 8 August 2001 and 8 August 2002.

6. The options will vest in three tranches in the proportion of 40%:30%:30% or 1/3:1/3:1/3.

For those grantees who have worked for the Group for over 1 year at the time of grant, the first tranche of the options would have vested on 8 February 2002. The second and third tranches of the options would have vested on the second and third anniversaries (as the case may be) of their respective joining dates with the Group.

For those grantees who have worked for the Group for less than 1 year at the time of grant, the first, second and third tranches of the options would have vested on the first, second and third anniversaries of their respective joining dates with the Group, as the case may be.

7. (i) For certain grantees, all the options have vested on 10 October 2003.

(ii) For certain grantees, the options will vest in two tranches. The first tranche of the options has vested on 10 October 2003 and the second tranche of the options has vested on the anniversary of their respective joining dates with the Group in 2004.

(iii) For certain grantees, the options will vest in three to four tranches. The first tranche of the options has vested on 10 October 2003 and the remaining tranches of the options will vest on the anniversaries of their respective joining dates with the Group in 2004 and 2005 or 2004 to 2006 (as the case may be).

(iv) For certain grantees, the options will vest in three tranches in the proportion of 1/3:1/3:1/3 on the anniversaries of their respective joining dates with the Group in 2004 to 2006.

8. The options will vest in four tranches in the proportion of 1/4:1/4:1/4:1/4. The first tranche of the options has vested on 16 February 2005, the second, third and fourth tranches of the options will vest on 16 February 2006, 16 February 2007 and 16 February 2008 respectively.

9. The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$2.40.

(c) New Option Scheme

No option has been granted pursuant to the New Option Scheme since its adoption.

B. TOM Online

As at 31 December 2004, options to subscribe for an aggregate of 262,425,040 shares of TOM Online which were granted to a Director and continuous contract employees of the Group pursuant to the TOM Online Pre-IPO Share Option Plan were outstanding. Details of which were as follows:

	Date of grant	Number of share options					Outstanding as at 31 December 2004	Option period	Subscription price per share of TOM Online HK\$
		Outstanding as at 1 January 2004	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year			
Director	16/2/2004	-	165,000,000	-	-	-	165,000,000 (Note 1)	16/2/2004 – 15/2/2014	1.50 (Note 3)
Employees	16/2/2004	-	115,000,000	-	17,574,960	-	97,425,040 (Note 2)	16/2/2004 – 15/2/2014	1.50 (Note 3)
Total		-	280,000,000	-	17,574,960	-	262,425,040		

Notes:

1. Details of the options granted to the Director are set out in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" below.

2. The options granted to two grantees will vest in 4 tranches in the proportion of 15%:25%:30%:30%. The first tranche of the options has vested on 16 February 2005, the second, third and fourth tranches of the options will vest on 16 February 2006, 16 February 2007 and 16 February 2008 respectively.

For the rest of the grantees, the options will vest in 4 tranches in the proportion of 10%:30%:30%:30%. The first and second tranches of the options have vested on 12 April 2004 and 16 February 2005 respectively, the third and fourth tranches of the options will vest on 16 February 2006 and 16 February 2007 respectively.

3. As the options were granted prior to the listing of the shares of TOM Online on GEM, no closing price of the shares of TOM Online is available immediately before the date on which the options were granted.

Valuation of share options

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2004, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

A. The Company

(a) Long positions in shares of the Company

Name of Directors	Capacity	Number of shares of the Company				Total	Approximate percentage of shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Sing Wang	Beneficial owner	10,000,000	–	–	–	10,000,000	0.26%
	Interest of a controlled corporation (Note 1)	–	–	5,898,000 (Note 2)	–	5,898,000	0.15%
Wang Lei Lei	Beneficial owner	300,000	–	–	–	300,000	0.01%

Notes:

- By virtue of the SFO, 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.
- All the 5,898,000 shares of the Company have been pledged as a security against his personal loan.

(b) *Rights to acquire shares of the Company*

Pursuant to the Pre-IPO Share Option Plan and the Old Option Scheme, certain Directors were granted share options to subscribe for the shares of the Company. Details of which as at 31 December 2004 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at 31 December 2004	Option period	Subscription price per share of the Company HK\$
Sing Wang	30/6/2000	3,000,000 (Note 1)	30/6/2000–29/6/2010	5.27
	8/8/2000	2,138,000 (Note 2)	8/8/2000–7/8/2010	5.30
	7/2/2002	20,000,000 (Note 3)	7/2/2002–6/2/2012	3.76
Tong Mei Kuen, Tommei	9/10/2003	38,000,000 (Note 4)	9/10/2003–8/10/2013	2.505
	9/10/2003	15,000,000 (Note 5)	9/10/2003–8/10/2013	2.505
James Sha	15/11/2000	15,000,000 (Note 6)	15/11/2000–14/11/2010	5.30
Wang Lei Lei	11/2/2000	9,080,000 (Note 7)	11/2/2000–10/2/2010	1.78
	9/10/2003	6,850,000 (Note 8)	9/10/2003–8/10/2013	2.505

Notes:

- The options have vested on 30 June 2001.
- The options have vested on 8 August 2001.
- The options have vested in three tranches in the proportion of 40%:30%:30% on 8 February 2002, 1 June 2002 and 1 June 2003 respectively.
- The options will vest in four tranches. The first tranche of 20,000,000 options has vested on 10 October 2003, the second tranche of 6,000,000 options has vested on 1 June 2004. The third and fourth tranches of 6,000,000 options each will vest on 1 June 2005 and 1 June 2006 respectively.
- The options will vest in three tranches in the proportion of 1/3:1/3:1/3. The first and second tranches of the options have vested on 17 March 2004 and 17 March 2005 respectively and the third tranche of the options will vest on 17 March 2006.
- The options have vested in three tranches in the proportion of 20%:30%:50% on 15 November 2001, 15 November 2002 and 15 November 2003 respectively.
- The options have vested in three tranches in the proportion of 20%:30%:50% on 11 February 2001, 11 February 2002 and 11 February 2003 respectively.
- The options will vest in four tranches. The first tranche of 850,000 options has vested on 10 October 2003, the second and third tranches of 2,000,000 options each have vested on 1 February 2004 and 1 February 2005 respectively. The fourth tranche of 2,000,000 options will vest on 1 February 2006.

Save as disclosed above, during the year ended 31 December 2004, none of the Directors was granted options to subscribe for shares of the Company, nor had exercised such rights. No options granted to the above Directors was lapsed or cancelled during the year ended 31 December 2004.

B. Associated Corporations (within the meaning of the SFO)

(a) Long positions in shares of TOM Online

Name of Directors	Capacity	Number of shares of TOM Online				Total	Approximate percentage of shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Sing Wang (Note)	Interest of a controlled corporation	–	–	83,142	–	83,142	0.002%
Wang Lei Lei	Beneficial owner	5,000,000	–	–	–	5,000,000	0.128%

Note:

By virtue of the SFO, Mr. Sing Wang is deemed to be interested in 83,142 shares of TOM Online held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

(b) Right to acquire shares of TOM Online

Pursuant to the TOM Online Pre-IPO Share Option Plan, a Director was granted share options to subscribe for shares of TOM Online, details of which as at 31 December 2004 were as follows:

Name of Director	Date of grant	Number of share options outstanding as at 31 December 2004	Option period	Subscription price per share of TOM Online HK\$
Wang Lei Lei	16/2/2004	165,000,000 (Note)	16/2/2004–15/2/2014	1.50

Note:

The options will vest in 5 tranches in the proportion of 10%: 15%: 20%: 25%: 30%. The first and second tranches of the options have vested on 12 April 2004 and 16 February 2005 respectively. The third, fourth and fifth tranches of the options will vest on 16 February 2006, 16 February 2007 and 16 February 2008 respectively.

(c) Short positions in associated corporations

Mr. Wang Lei Lei has as of 12 June 2001 (as supplemented on 26 September 2003) granted an option to a subsidiary of the Company in respect of his 20% (RMB2,200,000) equity interest in Beijing Lei Ting Wan Jun Network Technology Limited ("Beijing Lei Ting") whereby such subsidiary of the Company has the right at any time within a period of 10 years commencing from 26 September 2003 (which may be extended for another 10 years at the option of such subsidiary of the Company) to acquire all of Mr. Wang Lei Lei's equity interest in Beijing Lei Ting at an exercise price of RMB2,200,000.

Mr. Wang Lei Lei has also as of 19 November 2003 granted an option to a subsidiary of the Company in respect of his 80% (RMB8,000,000) equity interest in Beijing Lei Ting Wu Ji Network Technology Company Limited ("LTWJi") whereby such subsidiary of the Company has the right at any time within a period of 10 years commencing from 19 November 2003 (which may be extended for another 10 years at the option of such subsidiary of the Company) to acquire all of Mr. Wang Lei Lei's equity interest in LTWJi at an exercise price of RMB8,000,000.

Save as disclosed above, as at 31 December 2004, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and short positions of shareholders

As at 31 December 2004, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545(L) (Notes 1 & 2)	36.74%
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	Trustee & beneficiary of a trust	1,429,024,545(L) (Notes 1 & 2)	36.74%
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	Trustee & beneficiary of a trust	1,429,024,545(L) (Notes 1 & 2)	36.74%
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	Trustee	1,429,024,545(L) (Notes 1 & 2)	36.74%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545(L) (Notes 1 & 2)	36.74%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182(L) (Note 1)	12.25%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182(L) (Note 1)	12.25%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182(L) (Note 1)	12.25%
Romefield Limited	Beneficial owner	476,341,182(L) (Note 1)	12.25%
Hutchison Whampoa Limited	Interest of a controlled corporation	952,683,363(L) (Note 2)	24.49%
Hutchison International Limited	Interest of a controlled corporation	952,683,363(L) (Note 2)	24.49%
Easterhouse Limited	Beneficial owner	952,683,363(L) (Note 2)	24.49%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Chau Hoi Shuen	Interest of controlled corporations	952,683,363(L) (Note 3)	24.49%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	952,683,363(L) (Note 3)	24.49%
Schumann International Limited	Beneficial owner	580,000,000(L) (Note 3)	14.91%
Handel International Limited	Beneficial owner	348,000,000(L) (Note 3)	8.95%
Lehman Brothers Holdings Inc.	Interest of controlled corporations	325,680,934(L) (Note 4) 146,418,004(S)	8.37% 3.76%
Lehman Brothers U.K. Holdings (Delaware) Inc.	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%
Lehman Brothers Spain Holdings Limited	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%
Lehman Brothers Luxembourg Investments Sarl	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%
Lehman Brothers UK Holdings Limited	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%
Lehman Brothers Holdings Plc.	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%
Lehman Brothers International (Europe)	Interest of controlled corporations	210,731,699(L) (Note 4) 142,068,004(S)	5.42% 3.65%

(L) denotes a long position

(S) denotes a short position

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 SFO, 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 each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of 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 ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold 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 SFO, 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 SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp 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 SFO, 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 24,683,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 24,683,363 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.

- (4) Lehman Brothers International (Europe) is a wholly-owned subsidiary of Lehman Brothers Holdings Plc. which in turn is a wholly-owned subsidiary of Lehman Brothers UK Holdings Limited. Lehman Brothers UK Holdings Limited is a wholly-owned subsidiary of Lehman Brothers Luxembourg Investments Sarl which in turn is a wholly-owned subsidiary of Lehman Brothers Spain Holdings Limited. Lehman Brothers Spain Holdings Limited is a wholly-owned subsidiary of Lehman Brothers U.K. Holdings (Delaware) Inc. which in turn is a wholly-owned subsidiary of Lehman Brothers Holdings Inc. By virtue of the SFO, Lehman Brothers Holdings Inc., Lehman Brothers U.K. Holdings (Delaware) Inc., Lehman Brothers Spain Holdings Limited, Lehman Brothers Luxembourg Investments Sarl, Lehman Brothers UK Holdings Limited and Lehman Brothers Holdings Plc. are deemed to be interested in the 210,731,699 shares of the Company and short position in 142,068,004 shares of the Company held by Lehman Brothers International (Europe).

By virtue of the SFO, Lehman Brothers Holdings Inc. is also deemed to be interested in the 7,158,770 shares of the Company, 105,437,524 shares of the Company held by its subsidiaries, namely, Lehman Brothers Finance S.A. and Lehman Brothers Commercial Corporation Asia Limited; and 2,352,941 shares of the Company and short position in 4,350,000 shares of the Company held by its subsidiary, namely, Lehman Brothers Inc..

Save as disclosed above, as at 31 December 2004, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Connected transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2004, which do not constitute connected transactions under the Listing Rules are disclosed in note 39 to the accounts.

Continuing connected transactions

As disclosed in the listing document dated 29 June 2004 of the Company, the Group has entered into the following continuing connected transactions ("Continuing Connected Transactions") as defined under the Listing Rules and waiver was granted by the Stock Exchange to comply with the announcement requirement as required under Rule 14A.47 of the Listing Rules:

- (a) On 2 July 2003, TOM International has entered into an advertising services agreement with CKH, under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the CKH Group at a fee to be calculated with reference to the market rate for a term commencing from 1 January 2003 and expiring on 31 December 2005, subject to the annual caps of HK\$2,000,000, HK\$2,100,000 and HK\$2,200,000 for the years 2003, 2004 and 2005 respectively. During the year, HK\$1,208,000 has been paid by the CKH Group to the Group for the aforesaid services.
- (b) On 2 July 2003, TOM International has entered into an advertising services agreement with Hutchison International Limited ("HIL", a wholly-owned subsidiary of HWL), under which, TOM International shall provide, and/or to procure other members of the Group to provide the print, publishing, advertising and other services to the HIL Group at a fee to be calculated with reference to the market rate for a term commencing from 1 January 2003 and expiring on 31 December 2005, subject to the annual caps of HK\$7,000,000, HK\$7,400,000 and HK\$7,800,000 for the years 2003, 2004 and 2005 respectively. During the year, HK\$4,781,000 has been paid by the HIL Group to the Group for the aforesaid services.
- (c) On 2 July 2003, TOM International has entered into a media services agreement with Hutchison Global Communications Limited ("HGC", a wholly-owned subsidiary of HIL), under which, HGC shall provide, and/or to procure other members of the HGC Group or (as the case may be) third parties to provide the telecommunications, Internet related and other media services to the Group at a fee to be calculated with reference to the market rate for a term commencing from 1 January 2003 and expiring on 31 December 2005. During the year, HK\$722,000 has been paid by the Group to HGC Group for the aforesaid services.
- (d) On 2 July 2003, TOM International has entered into a media services agreement with Hutchison Telecommunications (Hong Kong) Limited ("HTHK", a wholly-owned subsidiary of HIL), under which, HTHK shall procure other members of the HTHK Group or (as the case may be) third parties to provide the telecommunications, Internet related and other media services to the Group at a fee to be calculated with reference to the market rate for a term commencing from 1 January 2003 and expiring on 31 December 2005. During the year, HK\$516,000 has been paid by the Group to HTHK Group for the aforesaid services.

The media services agreements with HGC and HTHK referred to in paragraphs (c) and (d) above will be subject to the aggregate annual caps of HK\$3,800,000, HK\$4,500,000 and HK\$4,800,000 for the years 2003, 2004 and 2005 respectively.

- (e) On 2 July 2003, Beijing Super Channel Network Limited ("BSCL", a subsidiary of the Company), has entered into a tenancy agreement (as supplemented by a supplemental tenancy agreement dated 13 February 2004) with Beijing Oriental Plaza Company Limited ("Beijing Oriental", an Associate of CKH) in respect of the lease by Beijing Oriental of 8th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No.1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC ("Beijing Oriental Plaza") to BSCL with an area of approximately 3,074 square metre for a term of 36 months from 15 June 2003 to 14 June 2006 subject to the annual caps of US\$613,263, US\$613,263 and US\$355,047 for the years 2004, 2005 and 2006 respectively. During the year, US\$613,263 has been paid by BSCL to Beijing Oriental.

- (f) On 2 July 2003, TOM.COM (China) Investment Limited ("TOM (China)", a subsidiary of the Company), has entered into a tenancy agreement (as supplemented by a supplemental tenancy agreement dated 13 February 2004) with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 1-6, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza to TOM (China) with an area of approximately 1,658 square metre for a term of 36 months from 15 June 2003 to 14 June 2006. The annual total amount of the rent and management fee payable by TOM (China) subject to the annual caps of US\$330,771, US\$330,771 and US\$191,499 for the years 2004, 2005 and 2006 respectively. During the year, US\$330,771 has been paid by TOM (China) to Beijing Oriental.
- (g) On 2 July 2003, TOM (China) has entered into a tenancy agreement (as supplemented by a supplemental tenancy agreement dated 13 February 2004) with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 7-8, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza to TOM (China) with an area of approximately 654 square metre for a term of 36 months from 15 June 2003 to 14 June 2006 subject to the annual caps of US\$130,473, US\$130,473 and US\$75,537 for the years 2004, 2005 and 2006 respectively. During the year, US\$130,473 has been paid by TOM (China) to Beijing Oriental.
- (h) On 13 February 2004, LTWJi has entered into a tenancy agreement with Beijing Oriental in respect of the lease by Beijing Oriental of Rooms 7-8, 5th Floor, Tower W3, The Towers, Beijing Oriental Plaza to LTWJi with an area of approximately 656 square metre for a term of 31 months and 14 days commencing from 1 January 2004 to 14 August 2006 subject to the annual caps of US\$130,872, US\$130,872 and US\$103,320 for the years 2004, 2005 and 2006 respectively. During the year, US\$130,872 has been paid by LTWJi to Beijing Oriental.
- (i) On 23 September 2003 and 19 April 2004, Beijing GreaTom United Technology Company Limited ("GreaTom", a subsidiary of the Company) has entered into a broadband agreement with Great Wall Broadband Network Services Company Limited ("Great Wall Broadband", an Associate of Great Wall Technology Company Limited which owns 10% of the equity interest in GreaTom), under which, GreaTom has been providing, and will continue to provide, services, including software development, platform installation and adjustment to Great Wall Broadband. The rates of service fees chargeable to Great Wall Broadband will be based on market price, subject to the annual caps of HK\$4,730,000, HK\$2,350,000 and HK\$2,350,000 for the years 2004, 2005 and 2006 respectively. During the year, HK\$432,000 has been paid by Great Wall Broadband to GreaTom for the aforesaid services.
- (j) Guangdong Yangcheng Advertising Company Limited ("Yangcheng Advertising", a subsidiary of the Company) has entered into advertising agency and rebate arrangements with Guangdong Yangcheng Evening News Advertising Company ("Guangdong YC Evening News", an Associate of Yangcheng Evening News Economic Development Corporation ("YC Head Office") which owns 20% of the equity interest in Yangcheng Advertising) in respect of the placing of advertisements in the newspaper published by YC Head Office, known as "羊城晚報" ("Media Buying Arrangement"). Under the Media Buying Arrangement, if the aggregate amount of the advertising fees for advertisements placed in "羊城晚報" by Yangcheng Advertising on behalf of its advertising customers ("Advertising Payment") reaches a certain pre-agreed amount, Yangcheng Advertising will be entitled to a rebate of 2% to 5% of the aggregate amount of the Advertising Payment ("Advertising Rebate") under certain criteria.

The annual caps for the Advertising Payment pursuant to the Media Buying Arrangement are HK\$60,000,000, HK\$66,000,000 and HK\$72,600,000 for the years 2004, 2005 and 2006 respectively. During the year, the Advertising Payment paid by Yangcheng Advertising to Guangdong YC Evening News amounted to HK\$38,707,335. The annual caps for the Advertising Rebate pursuant to the Media Buying Arrangement are HK\$3,000,000, HK\$3,300,000 and HK\$3,630,000 for the years 2004, 2005 and 2006 respectively. During the year, the Advertising Rebate received by Yangcheng Advertising from Guangdong YC Evening News amounted to HK\$1,307,000.

- (k) Pursuant to a co-operation agreement dated 22 June 2004 ("Network Sales Agreement") entered into between Beijing TOM International Advertising Limited ("Beijing TOM"), Shanghai TOM International Outdoor Advertising Limited (formerly known as Shanghai TOM Advertising Limited) ("Shanghai TOM"), Guangzhou TOM Advertising Limited ("Guangzhou TOM"), Kunming Fench Media Company Limited ("Fench Media"), Xiamen Bomei Lianhe Advertising Company Limited ("Bomei JV"), Qingdao Chunyu Advertising Chuanbo Company Limited ("Chunyu JV"), Liaoning New Star Guangming Media Assets Company Limited ("New Star JV"), Fujian Seeout Guangming Media Advertising Company Limited ("Seeout JV"), Sichuan Southwest International Advertising Company Limited ("Southwest JV"), Shandong Longjun Media Company Limited ("Qilu JV"), Shenyang Sano Global Media Company Limited ("Sano JV") and Henan New Tianming Advertising & Information Chuanbo Company Limited ("Tianming JV") (collectively, "Network Sales Companies" and individually, "Network Sales Company") for a term of 3 years commencing from 1 January 2004:
1. if any of Beijing TOM, Shanghai TOM or Guangzhou TOM or its respective subsidiaries ("Main Contractor") enters into an advertising services agreement with a third party ("Advertising Client") for the provision of advertising services which involve the provision of outdoor advertising services in a city where another Network Sales Company or its subsidiaries (if any) has outdoor advertising business operations, the Main Contractor will enter into a sub-contract with such Network Sales Company ("Sub-Contractor") upon the following terms:
 - (i) the Sub-Contractor will provide outdoor advertising services to the Main Contractor; and
 - (ii) the Main Contractor will collect the relevant advertising fees from the Advertising Client and, after deducting a certain percentage of commission, pay the residual amount of such advertising fees ("Advertising Fees") to the Sub-Contractor;
 2. if a client of any Network Sales Company ("Agent") wishes to place advertisements in a city where another Network Sales Company or its subsidiary(ies) has outdoor advertising business operations ("Service Provider") and if the terms offered by the Service Provider are no less favourable than the terms offered by other outdoor advertising companies or its subsidiary(ies) operating in that city, the Agent will place advertisements with the Service Provider on behalf of such customer. The Agent will enter into an advertising services agreement with the Service Provider, under which the Service Provider will provide the relevant advertising services to the Agent at a certain amount of advertising fees ("Service Provider's Fees"). The Agent will also enter into an advertising services agreement with the relevant client, under which the Agent will procure the provision of the relevant advertising services to such client at the Service Provider's Fees plus a premium ("Marked-up Advertising Fees"). The Agent will collect the Marked-up Advertising Fees from such client and pay the Service Provider's Fees to the Service Provider.

Among the Network Sales Companies, only Sano JV, Qilu JV and Tianming JV are regarded as connected persons of the Company under the Listing Rules by virtue of their being the Associates of the respective substantial shareholders of Sano JV, Qilu JV and Tianming JV.

The annual caps for the aggregate amount of the Advertising Fees and the Service Provider's Fees receivable by each of Sano JV and Tianming JV and/or their respective subsidiaries from the other Network Sales Companies pursuant to the Network Sales Agreement are HK\$5,000,000 and HK\$6,500,000 for the years 2004 and 2005. During the year, an aggregate of HK\$601,119 has been received by Sano JV and Tianming JV and/or their respective subsidiaries from the other Network Sales Companies.

The annual caps for the aggregate amount of the Advertising Fees and the Service Provider's Fees receivable by Qilu JV and/or its subsidiaries from other Network Sales Companies pursuant to the Network Sales Agreement are HK\$8,000,000 and HK\$10,000,000 for the years 2004 and 2005 respectively. During the year, an aggregate of HK\$4,401,933 has been received by Qilu JV and/or its subsidiaries from other Network Sales Companies.

The annual caps for the amount of the Advertising Fees and the Service Provider's Fees to be paid or payable by Sano JV and/or its subsidiaries to other Network Sales Companies pursuant to the Network Sales Agreement are HK\$4,000,000 and HK\$4,000,000 for the years 2004 and 2005 respectively. No advertising service has been provided by other Network Sales Companies to Sano JV and/or its subsidiaries. Accordingly, no Advertising Fees and the Service Provider's Fees have been paid by Sano JV and/or its subsidiaries to other Network Sales Companies during the year.

The annual caps for the amount of the Advertising Fees and the Service Provider's Fees to be paid or payable by Qilu JV and/or its subsidiaries to other Network Sales Companies pursuant to the Network Sales Agreement are HK\$4,000,000 and HK\$4,000,000 for the years 2004 and 2005 respectively. No advertising service has been provided by other Network Sales Companies to Qilu JV and/or its subsidiaries. Accordingly, no Advertising Fees and the Service Provider's Fees have been paid by Qilu JV and/or its subsidiaries to other Network Sales Companies during the year.

The annual caps for the amount of the Advertising Fees and the Service Provider's Fees to be paid or payable by Tianming JV and/or its subsidiaries to other Network Sales Companies pursuant to the Network Sales Agreement are HK\$4,000,000 and HK\$4,000,000 for the years 2004 and 2005 respectively. No advertising service has been provided by other Network Sales Companies to Tianming JV and/or its subsidiaries. Accordingly, no Advertising Fees and the Service Provider's Fees have been paid by Tianming JV and/or its subsidiaries to other Network Sales Companies during the year.

The Continuing Connected Transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either 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 their respective caps, or in the case of the property rental, the stipulated rent.

The auditors of the Company have also confirmed that the Continuing Connected Transactions (a) have received the approval of the board of directors of the Company; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements governing the transactions; and (d) have not exceeded their respective caps, or in the case of the property rental, the stipulated rent.

Directors' interests in contracts

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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in competing business

Mr. Frank John Sixt and Mrs. Chow Woo Mo Fong, Susan, the Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and Hutchison Global Communications Holdings Limited ("HGCH") and directors of certain of their respective Associates (collectively referred to as "HWL Group", "CKI Group" and "HGCH Group" respectively). Mr. Frank John Sixt is also a non-executive director of CKH and director of certain of its Associates (collectively referred to as "CKH Group"). Mr. Frank John Sixt and Mrs. Chow Woo Mo Fong, Susan are also non-executive directors of Hutchison Telecommunications International Limited and directors of certain of its Associates (collectively referred to as "HTIL Group"). Mr. Ip Tak Chuen, Edmond, a non-executive Director, is an executive director of CKH and a director of certain of its Associates. HWL Group is engaged in e-commerce and general information portals, event production, broadband content, sports-related content, event management and advertising and outdoor media. Both the CKH Group and the CKI Group are engaged in information technology, e-commerce and new technology. HGCH Group has four core businesses: fixed network services, data centre operations, powerline broadband service and IT solutions. HTIL Group is engaged in providing mobile and fixed-line telecommunications services, including broadband data services, multimedia services and mobile and fixed-line Internet services and Intranet services. 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 Chief Executive Officer of the Company, holds 4.55% of the equity interests in 北京雅寶在線拍賣有限公司 ("Yabuy Online") whose main business consists of the operation of yabuy.com, an online auction website in the PRC. The Directors believe that there is a risk that the business of Yabuy Online may compete with those of the Group.

Ms. Tong Mei Kuen, Tommei, an executive Director and Chief Financial Officer of the Company, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited ("Qin Jia Yuan") whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Save as disclosed above, none of the directors or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

Management contracts

A service agreement dated 2 July 2003 has been entered into between the Group and HIL, under which, HIL agreed to provide certain administrative and operation-related consultancy services to the Group on a reimbursement of cost basis for a term commencing from 20 January 2003 to 31 December 2005.

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:

The largest customer	28%
Five largest customers combined	42%

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.

Guaranteed profits

As disclosed in the section headed "Guaranteed profits" in the annual report of the Company for the year ended 31 December 2003, the vendors of the following acquisitions have guaranteed to the Group certain amount of the profits of the companies acquired by the Group for the year ended 31 December 2003, details of whether such guaranteed profits have been met are set out below. In addition, certain vendors of the following acquisitions have also guaranteed to the Group certain amount of the profits of the companies acquired by the Group for the year ended 31 December 2004.

1. Qilu Acquisition

Details of the Qilu Acquisition were disclosed in the circular of the Company dated 21 February 2002 and the announcement of the Company dated 20 December 2002.

Pursuant to the relevant agreement, Mr. Meng Xian Wei ("Mr. Meng") warranted to TOM Outdoor Media Group Limited ("TOM Outdoor Media", a wholly-owned subsidiary of the Company) that Qilu JV will achieve a 15% annual increase in its after-tax profits for the year ended 31 December 2003 ("2003 Warranted Profit"). If Qilu JV fails to achieve the 2003 Warranted Profit, an amount equal to 60% of such shortfall will be deducted from Jinan Qilu Xinjiye Advertising Company Limited's ("Jinan Qilu") share of any future dividend that may be declared by Qilu JV and be paid to TOM Outdoor Media. Pursuant to the audited financial statements of Qilu JV for the year ended 31 December 2003, Qilu JV failed to achieve the 2003 Warranted Profit and there is a shortfall of RMB5,086,000. Mr. Meng is obliged to compensate 60% of such shortfall (being RMB3,052,000) to TOM Outdoor Media. To satisfy the aforesaid shortfall, RMB1,096,000 has been deducted from Jinan Qilu's share of dividend declared by Qilu JV for the year 2003 and the remaining amount of RMB1,956,000 will be deducted from Jinan Qilu's share of any future dividend that may be declared by Qilu JV.

In addition, Mr. Meng also warranted that Qilu JV will achieve a 15% annual increase in its after-tax profits for the year ended 31 December 2004 ("2004 Warranted Profit"). If Qilu JV fails to achieve the 2004 Warranted Profit, an amount equal to 60% of any shortfall will be deducted from Jinan Qilu's share of any future dividend that may be declared by Qilu JV and be paid to TOM Outdoor Media. As the audited financial statements of Qilu JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

2. New Star Acquisition

Details of the New Star Acquisition were disclosed in the circular of the Company dated 21 March 2002 and the announcement of the Company dated 20 December 2002.

Pursuant to the relevant agreement, Mr. Li Pei-an and Ms. Wang Bing-bing (collectively referred to as "NS Shareholders") warranted that New Star JV will achieve a 15% annual increase in its after-tax profits for the year ended 31 December 2003 ("2003 Warranted Profit"). If New Star JV fails to achieve the 2003 Warranted Profit, an amount equal to 60% of such shortfall will be deducted from New Star Prosperity Advertising Company Limited's ("New Star Advertising") share of any future dividend that may be declared by New Star JV and be paid to TOM Outdoor Media. Pursuant to the audited financial statements of New Star JV for the year ended 31 December 2003, New Star JV failed to achieve the 2003 Warranted Profit and there is a shortfall of RMB4,749,000. The NS Shareholders are obliged to compensate 60% of such shortfall (being RMB2,849,000) to TOM Outdoor Media. To satisfy the aforesaid shortfall, RMB2,000,000 has been deducted from New Star Advertising's share of dividend declared by New Star JV for the year 2003 and the remaining amount of RMB849,000 will be deducted from New Star Advertising's share of any future dividend that may be declared by New Star JV.

In addition, the NS Shareholders also warranted that New Star JV will achieve a 15% annual increase in its after-tax profits for the year ended 31 December 2004 ("2004 Warranted Profit"). If New Star JV fails to achieve the 2004 Warranted Profit, an amount equal to 60% of any shortfall will be deducted from New Star Advertising's share of any future dividend that may be declared by New Star JV and be paid to TOM Outdoor Media. As the audited financial statements of New Star JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

3. Sano Acquisition

Details of the Sano Acquisition were disclosed in the circular of the Company dated 12 July 2002 and the announcement of the Company dated 20 December 2002.

Pursuant to the relevant agreement, Shenyang Sano Jinxiang Advertising Co., Ltd. ("Sano") and Mr. Wang Chengcheng ("Mr. Wang") warranted that Sano JV will attain the proforma accumulated audited after-tax profit of RMB14,620,000 for the year ended 31 December 2003 ("2003 Accumulated Warranted Profit"). If the amount of the accumulated audited after-tax profit of Sano JV for the year ended 31 December 2003 is less than the 2003 Accumulated Warranted Profit, Sano and/or Mr. Wang will pay an amount equal to 60% of such shortfall to TOM Outdoor Media. Pursuant to the audited financial statements of Sano Media for the year ended 31 December 2003, Sano JV failed to achieve the 2003 Accumulated Warranted Profit and there is a shortfall of RMB6,848,000. Sano and/or Mr. Wang are obliged to pay to TOM Outdoor Media an amount equal to 60% of such shortfall (being RMB4,109,000).

In addition, Mr. Wang also warranted that Sano JV will attain the proforma accumulated audited after-tax profit of RMB23,613,000 for the year ended 31 December 2004 ("2004 Accumulated Warranted Profit"). If the amount of the accumulated audited after-tax profit of Sano Media for the year ended 31 December 2004 is less than the 2004 Accumulated Warranted Profit, Sano and/or Mr. Wang will pay an amount equal to 60% of such shortfall to TOM Outdoor Media. As the audited financial statements of Sano JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

4. Bomei Acquisition

Details of the Bomei Acquisition were disclosed in the circular of the Company dated 17 July 2002 and the announcement of the Company dated 20 December 2002.

Pursuant to the relevant agreement, each of Xiamen Bomei Advertising Company Limited (“Bomei”), Mr. Chen Maosheng and Ms. Chen Huiqian (collectively referred to as “Bomei Shareholders”) warranted that Bomei JV will attain the proforma accumulated audited after-tax profit of RMB11,446,600 for the year ended 31 December 2003 (“2003 Accumulated Warranted Profit”). If the amount of the accumulated audited after-tax profit of Bomei JV for the year ended 31 December 2003 is less than the 2003 Accumulated Warranted Profit, Bomei and/or the Bomei Shareholders will pay an amount equal to 60% of such shortfall to TOM Outdoor Media. Pursuant to the audited financial statements of Bomei JV for the year ended 31 December 2003, the 2003 Accumulated Warranted Profit has been met.

In addition, each of Bomei and the Bomei Shareholders also warranted that Bomei JV will attain the proforma accumulated audited after-tax profit of RMB18,487,590 for the year ended 31 December 2004 (“2004 Accumulated Warranted Profit”). If the amount of the accumulated audited after-tax profit of Bomei JV for the year ended 31 December 2004 is less than 2004 Accumulated Warranted Profit, Bomei and/or the Bomei Shareholders will pay an amount equal to 60% of such shortfall to TOM Outdoor Media. As the audited financial statements of Bomei JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

5. Seeout Acquisition

Details of the Seeout Acquisition were disclosed in the circular of the Company dated 17 July 2002 and the announcement of the Company dated 20 December 2002.

Pursuant to the relevant agreement, each of Fujian Seeout Outdoor Advertising Company Limited (“Seeout”), Mr. Li Guoping and Mr. Guo Xiaoyang (collectively referred to as “Seeout Shareholders”) warranted that Seeout JV will attain the proforma accumulated audited after-tax profit of RMB22,575,000 for the year ended 31 December 2003 (“2003 Accumulated Warranted Profit”). If the amount of the accumulated audited after-tax profit of Seeout JV for the year ended 31 December 2003 is less than 2003 Accumulated Warranted Profit, Seeout and/or the Seeout Shareholders will pay an amount equal to 70% of such shortfall to TOM Outdoor Media. Pursuant to the audited financial statements of Seeout JV for the year ended 31 December 2003, Seeout JV failed to achieve the 2003 Accumulated Warranted Profit and there is a shortfall of RMB6,143,000. Seeout and/or the Seeout Shareholders are obliged to pay to TOM Outdoor Media an amount equal to 70% of such shortfall (being RMB4,300,000).

In addition, each of Seeout and the Seeout Shareholders also warranted that Seeout JV will attain the proforma accumulated audited after-tax profit of RMB36,461,250 for the year ended 31 December 2004 (“2004 Accumulated Warranted Profit”). If the amount of the accumulated audited after-tax profit of Seeout JV for the year ended 31 December 2004 is less than 2004 Accumulated Warranted Profit, Seeout and/or the Seeout Shareholders will pay an amount equal to 70% of such shortfall to TOM Outdoor Media. As the audited financial statements of Seeout JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

6. Tianming Acquisition

Details of the Tianming Acquisition were disclosed in the circular dated 3 April 2002 of the Company.

Pursuant to the relevant agreement, Mr. Jiang Ming ("Mr. Jiang") warranted that Tianming JV will achieve a 15% annual increase in its audited after-tax profits for the year ended 31 December 2003 ("2003 Warranted Profit"), an amount equal to 50% of any shortfall will be indemnified by Mr. Jiang and/or Beijing Tianming International Investment Management Company Limited ("Beijing Tianming") in cash to TOM Outdoor Media. Pursuant to the audited financial statements of Tianming JV for the year ended 31 December 2003, the 2003 Warranted Profit has been met.

In addition, Mr. Jiang also warranted that Tianming JV will achieve a 15% annual increase in its audited after-tax profits for the year ended 31 December 2004 ("2004 Warranted Profit"). If Tianming JV fails to achieve the 2004 Warranted Profit, an amount equal to 50% of any shortfall will be indemnified by Mr. Jiang and/or Beijing Tianming in cash to TOM Outdoor Media. As the audited financial statements of Tianming JV for the year ended 31 December 2004 has not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantee has been fulfilled.

7. Chunyu Acquisition

Details of the Chunyu Acquisition were disclosed in the circular dated 10 January 2003 of the Company.

Pursuant to the relevant agreement, Mr. Ou-Yang Gang warranted that Chunyu JV will achieve a 15% annual increase in its after-tax profits for each of the years ended 31 December 2003 and 2004 ("2003 and 2004 Warranted Profits"). If Chunyu JV fails to achieve any of the 2003 and 2004 Warranted Profits, an amount equal to 70% of such shortfall will be deducted from Qingdao Chunyu Advertising and Décor Construction Company Limited's share of any future dividend that may be declared by Chunyu JV until the shortfall has been fully satisfied. As the financial statements of Chunyu JV for the years ended 31 December 2003 and 2004 have not yet been finalised, the Group has not yet determined whether the aforesaid profit guarantees have been fulfilled.

8. Fench Star Acquisition

Details of the Fench Star Acquisition were disclosed in the circular dated 29 December 2000 and the announcement dated 2 March 2001 of the Company.

Pursuant to the relevant agreements, Dynamic Net Developments Limited ("Dynamic") warranted that the aggregate after-tax profits of Kunming Fench Star Information Industry Limited ("Fench Star") as shown in the audited income and cash flow statements of Fench Star for the years ended 31 December 2001, 2002 and 2003 is greater than RMB117,200,000 ("2003 Accumulated Warranted Profits"), otherwise Hitech Profits Limited ("Hitech", a wholly-owned subsidiary of the Company) may, at its sole discretion, require the dealer designated by Hitech to sell a sufficient number of Incentive Shares issued to Dynamic (as defined in the circular dated 29 December 2000 of the Company) at a designated time and remit the proceeds of such sale to Hitech so as to cover the shortfall.

As disclosed in the announcement dated 30 April 2004, in order to save professional and administrative costs of preparing the audited financial statements of Fench Star for the years ended 31 December 2001, 2002 and 2003, the parties to the Fench Star Acquisition have agreed that the assessment of the 2003 Accumulated Warranted Profits is based on the aggregated management accounts of Fench Star for the years ended 31 December 2001, 2002 and 2003 ("Fench Star Management Accounts"). Pursuant to the Fench Star Management Accounts for the years ended 31 December 2001, 2002 and 2003, Fench Star failed to achieve the 2003 Accumulated Warranted Profits and there is a shortfall of approximately RMB39,850,000. As the 2003 Accumulated Warranted Profits cannot be met, Hitech will require the designated dealer to sell all of the Incentive Shares (being 5,802,468 shares of the Company) issued to Dynamic deposited with it at a designated time and remit the proceeds of such sale to Hitech to cover part of the shortfall. Hitech has no recourse against Dynamic other than the sale of the Incentive Shares to cover the shortfall.

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 40 to the accounts.

Audit committee

The Company has established an audit committee in January 2000. Written terms of reference in compliance with the Listing Rules has been adopted for the audit committee.

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 three independent non-executive Directors, namely Mr. Cheong Ying Chew, Henry, Ms. Wu Hung Yuk, Anna and Mr. James Sha and a non-executive director, namely Mrs. Lee Pui Ling, Angelina. Mr. Cheong Ying Chew, Henry is the chairman of the audit committee. The audit committee has met 4 times during the year.

The audited consolidated results of the Group for the year ended 31 December 2004 have been reviewed by the audit committee.

Board practices and procedures and Code of best practice

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules (before amendments effective 1 January 2005) prior to 4 August 2004 and the Code of Best Practice as set out in Appendix 14 to the Listing Rules (before amendments effective 1 January 2005) from 4 August 2004 to the end of the year, except that the non-executive Directors 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.

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 shares.

Auditors

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

By Order of the Board

Frank John Sixt

Chairman

Hong Kong, 23 March 2005