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Significant Milestone Achieved  
**Positive EBITDA**

## CHARACTERISTICS OF GEM

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

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

*This document, for which the directors of TOM.COM LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the 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
“Business Weekly”	means 商周文化事業股份有限公司(Business Weekly Publishing Inc.)
“Cernet Online”	means 北京賽爾在線通信技術有限公司(Cernet Online Company Limited)
“China Mobile”	means China Mobile Communications Corporation
“ChinaPlus”	means 北京中時通互動科技有限公司(ChinaPlus (Beijing) Company Limited)
“Chunyu”	means 青島春雨廣告裝飾工程有限公司(Qingdao Chunyu Advertising & Décor Construction Company Limited)
“Cité”	means 城邦文化事業股份有限公司(Cité Publishing Limited)
“CKH”	means Cheung Kong (Holdings) Limited
“CYTS”	means 中青旅電子商務有限公司(China Youth Travel Services E-commerce Co.)
“Directors”	means the directors of TOM.COM LIMITED
“ECLink”	means 易網通電子網絡系統(深圳)有限公司(ECLink Electronic Network Systems (Shenzhen) Company Limited)
“GEM”	means the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM
“GreaTom”	means 北京長通聯合寬帶網絡技術有限公司(Beijing GreaTom United Technology Company Limited)
“HHR”	means Hutchison Harbour Ring Limited
“HIBOR”	means Hong Kong Interbank Offered Rate
“Hong Xiang”	means 廣州鴻翔音像製作有限公司
“HWL”	means Hutchison Whampoa Limited
“IPO”	means Initial Public Offering
“Mainland China”	means the People’s Republic of China, excluding Hong Kong, Macau and Taiwan

“Maya Online”	means 上海美亞在線寬頻網絡有限公司 (Shanghai Maya Online Broadband Network Company Limited)
“New Star”	means 遼寧鑫星盛世廣告有限公司(New Star Prosperity Advertising Company Limited)
“PC Home”	means 電腦家庭文化事業股份有限公司(PC Home Publications Inc.)
“Qilu”	means 濟南齊魯新基業戶外廣告有限公司(Jinan Qilu Xinjiye Advertising Company Limited) and 齊魯國際廣告有限公司(Qilu International Advertising Company Limited)
“Redsail”	means 北京紅帆網神數據網絡技術有限公司(Beijing Redsail Netlegend Data Network Technology Company Limited)
“SDI Ordinance”	means the Securities (Disclosure of Interests) Ordinance
“Share Option Scheme”	means the share option scheme adopted by TOM on 11 February 2000 (as amended)
“Sharp Point”	means 尖端出版股份有限公司 (Sharp Point Publishing Co., Limited)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Tianming”	means 河南天明廣告有限公司 (Henan Tianming Advertising Company Limited)
“TOM Outdoor Media Group”	means TOM Outdoor Media Group Limited
“YC Companies”	means Y.C. Press Advertising Limited, 廣東羊城報業廣告有限公司 and 廣東羊城報業體育發展有限公司

## 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 second quarter and the six months ended 30 June 2002.

The first half of 2002 presented a challenging environment for media and technology-related companies globally. Despite the overall market environment, TOM has achieved positive EBITDA this quarter. This result is ahead of market expectation and represents a significant milestone for the Group. It is also testament to the successful acquisition and integration strategies that have been adopted over the last two years.

With this positive EBITDA result, the Group is distinguishing itself from industry competitors by delivering concrete results from successful integration. During the quarter, double-digit organic revenue growth was recorded in three divisions and operating margins improved across all divisions. Online revenue doubled on a reduced cost base, enabling narrowband operations in Mainland China to achieve positive EBITDA. The successful integration of the publishing division is evident in the turnaround of PC Home and Cité to sustained growth in profitability. TOM Outdoor Media Group continued to build and consolidate its nationwide network.

Key second quarter achievements include:

- 57% increase in total revenue over the previous quarter, of which 48% was organic growth
- Online revenue doubled
- 51% increase in offline revenue, of which 43% was organic growth
- The TOM Group achieved positive EBITDA ahead of market expectation
- Narrowband operations in Mainland China achieved positive EBITDA within 24 months, the shortest timeframe among Chinese portals
- Publishing division is approaching achievement of an industry leading cost structure through integration
- Sports and entertainment division leveraged its dominant position to capture significant benefits from the 2002 FIFA World Cup

## Financial Highlights

	For the three month period ended	
	30 June 2002	31 March 2002
	HK\$'000	HK\$'000
Turnover	414,697	264,521
Cost of sales	253,671	155,080
Gross profit	161,026	109,441
Earning/(loss) before interest, taxation, depreciation and amortisation	12,489	(35,109)
Loss attributable to shareholders	(49,559)	(74,948)

## Financial Performance

The TOM Group's unaudited consolidated revenue for the three months ended 30 June 2002 amounted to HK\$415 million, an increase of 57% over the previous quarter. Online revenue doubled to HK\$72 million, led by a 58% growth in telecom value-added services revenue. TOM has successfully reduced the dependence of its online operations on advertising revenues to about 20% as planned. Offline revenue grew by 51% to reach HK\$343 million, representing 83% of total revenue in the quarter. The growth in offline revenue was driven by a 43% organic growth supplemented with first-time contributions from the outdoor media companies Chunyu, Qilu, Tianming and New Star. The previously announced acquisitions of Hong Xiang and five outdoor media companies are on track for completion but have not been consolidated in the Group's results.

TOM turned EBITDA positive this quarter with earnings of HK\$12.5 million, a HK\$48 million improvement on the EBITDA loss of HK\$35 million in the previous quarter. Net loss decreased by 34% to HK\$50 million.

Comparing overall financial performance to the same period last year, revenue for the six months ended 30 June 2002 amounted to HK\$679 million, a threefold increase from HK\$222 million in the corresponding period in 2001. Operating loss in the first half of 2002 was reduced by 39% from HK\$119 million to HK\$73 million year-on-year. Loss attributable to shareholders in the first half of 2002 was HK\$125 million, down from HK\$148 million in 2001. The improved financial performance benefited from an enlarged revenue base coupled with disciplined cost management.

Comparing segmental financial performance to the same period last year, online revenue for the first half of 2002 doubled to HK\$110 million while segment loss narrowed by 40% to HK\$61 million on the strength of TOM's fee-based strategy and cost discipline. Outdoor revenue grew 6% year-on-year. Publishing revenue increased by 17 times to HK\$367 million and segment profit improved by HK\$34 million, primarily due to the consolidation of TOM's publishing operations in Taiwan. Sports and entertainment revenue increased organically by 65% to HK\$127 million and segment profit increased by 40% to HK\$12 million, led by strong sports marketing programmes.

## **Business Review**

### ***Online***

During the quarter, TOM executed its fee-based strategy with continued success. Its SMS service is one of the fastest growing among Chinese portals, with 2.1 million registered users sending on average 600,000 messages daily. An array of SMS initiatives coinciding with the 2002 FIFA World Cup was the catalyst for growth. The number of mobile and pay e-mail users also grew by 65% over the previous quarter to reach 280,000 ahead of target. TOMNET Internet access service reported steady sales amidst intensified competition. Its “17201” ISP dial-up service jointly launched with China Mobile is expected to boost the access business as TOM taps into China Mobile’s 75 million subscriber base. These telecom VAS revenues, together with rationalisation and integration efforts in the past quarters have steered TOM’s narrowband operations in Mainland China to positive EBITDA this quarter.

Broadband losses have been reduced through a focused effort to integrate the businesses into a compact operation. Discussions are underway with leading telecom operators for the bundling of TOM’s broadband content with their ADSL services.

### ***Outdoor***

TOM Outdoor Media Group has entered into separate contracts with international advertising agencies to perform nationwide outdoor media buying across its 170,000 square metres of assets in 22 cities. The agencies will commit at least HK\$15 million annually. Additional contracts are under negotiation with other agencies and advertisers. Network-wide sales are expected to optimise utilisation of inventory, with the objective of raising overall occupancy from the current 76% to over 80%.

In parallel, TOM made good progress in integrating its 12 outdoor subsidiaries. The development of a proprietary Web-based outdoor media asset management system has been completed, with implementation scheduled for next quarter. A professional services firm is on track to deliver a Group-wide financial management system to standardise business processes and enhance monitoring and control in line with industry leading practices. Financial Controllers appointed by TOM to each unit have been trained to implement Group financial systems. TOM has also designed a quarterly sales training programme to upgrade management expertise across its outdoor subsidiaries.

### ***Publishing***

TOM launched three magazines and 415 book titles this quarter, further solidifying its 40% share of Taiwan’s consumer print market. Its portfolio of 43 magazines and 22 book publishing brands generated steady revenue growth quarter-on-quarter, despite a continued challenging operating environment.

Ongoing rationalisation and integration of TOM’s publishing operations in Taiwan have delivered continued margin enhancement for the division ahead of budget. One year after their acquisition, PC Home and Cité have become an integrated entity with a streamlined cost structure and optimised processes. Sharp Point and Business Weekly have successfully executed similar rationalisation and integration exercises during the first half of 2002, with each business unit trimming production, distribution and staff costs by up to 20%. TOM’s publishing groups have cross-leveraged each other’s distribution channels to raise circulation and lower distributor discounts. Plans for centralising front-end functions across the publishing groups are in place and will be pursued going forward to result in further cost-savings.

### ***Sports & Entertainment***

The Group's sports revenue achieved a record high this quarter, on the strength of cross-media sports marketing initiatives related to the 2002 FIFA World Cup spanning print, TV and online media. The pre- and post-World Cup issues of China's Official Guide, to which TOM had exclusive rights, recorded strong advertising sales and total circulation of 1.6 million. Extensive coverage of the games on TOM's syndicated TV programmes *Nokia Sports Daily News*, *Philips Sports Report* and a special *World Cup Preview* drew 20 million viewers. A dedicated World Cup website on TOM.COM extended advertisers' reach to an online platform. TOM also formed a nationwide football fan club and customised SMS football games for its advertisers.

### **Business Outlook**

Having achieved positive EBITDA this quarter, the Group's next focus will be on after tax profitability. The same integration and rationalisation discipline will be adopted as a continuous effort in all divisions and particularly with newly acquired subsidiaries. The Group will benefit from the stable cash flow generated by its existing businesses and from the growth anticipated from further acquisitions, particularly in the publishing and sports marketing sectors.

With firmly established positions in the current industry segments, TOM will explore opportunities to consolidate strategic assets in the television media sector. With TOM's proven ability to create value through disciplined execution, I am confident that the remainder of 2002 will see the Group maintaining strong revenue growth and margin improvements.

I would like to thank the management and staff who made this a successful quarter through their hard work, creativity and continuing dedication.

**Frank Sixt**  
*Chairman*

Hong Kong, 8 August 2002

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

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

As at 30 June 2002, the TOM Group's bank and cash balance was at HK\$259 million. During the first six months of the year, the TOM Group utilised HK\$504 million to finance its operations and acquisitions.

As at 30 June 2002, the TOM Group utilised HK\$650 million of the unsecured loan facilities of HK\$850 million from its substantial shareholders. In addition, the TOM Group had bank and other borrowings (inclusive of long-term and short-term bank and other borrowings) totalling HK\$28 million. The TOM Group's cash-to-borrowing ratio was 0.38 as at 30 June 2002.

### Foreign Exchange Exposure

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

### Capital Structure

During the first six months of the year, the Company issued 23,187,977 new ordinary shares of par value of HK\$0.1 each, comprising 11,054,000 shares allotted at HK\$1.78 each pursuant to the exercise of share options under the Pre-IPO Share Option Plan and 12,133,977 shares allotted at prices ranging between HK\$1.91 and HK\$3.464 per share, which are the fair value calculated based on the average closing price quoted on the Stock Exchange for the calendar month immediately prior to the date of acquisitions, as part of the consideration payable for acquisitions of subsidiaries.

### Charges on Group Assets

Certain Group assets are pledged to banks and financial institutions as security for general banking facilities granted to the TOM Group. As at 30 June 2002, the pledged assets of the TOM Group included bank deposits, cash and fixed assets of HK\$24 million.

### Contingent Liabilities

Contingent liabilities amounted to approximately HK\$29 million as at 30 June 2002, of which HK\$20 million was in respect of litigation proceeding with International Merchandising Corporation on the dispute over the termination of a sponsorship contract. The arbitration hearing took place in February 2002 and a partial award on liability was made by the tribunal on 7 May 2002. The arbitration continues. Based on the partial award on liability and other developments in the arbitration, the maximum amount of the counterclaim against a subsidiary of the Group has been limited to US\$2,562,000 (approximately HK\$20 million), subject to the counterparty's proof of actual loss. Taking into account the legal advice sought and in view of the difficulty of determining reliably the liability in connection with the dispute, a provision for potential liabilities could not be made at this stage.

### Employee Information

As at 30 June 2002, the TOM Group had 2,229 full-time employees. During the first six months of the year, employee costs, excluding Director's emoluments, totalled HK\$125 million. The Group's employment and remuneration policies remained the same as detailed in the Annual Report for the year ended 31 December 2001.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1 January to 30 June 2002

### Business objectives as stated in the prospectus dated 18 February 2000

### Actual business progress in respect of the first six months period of 2002

#### Content Development

1. Continue to enrich various web sites with new “killer features”

TOM offered “killer” web-mobile short messaging applications during the period, including live wireless broadcast of the 2002 FIFA World Cup, real-time sports news updates, interactive games, ring-tone and picture downloads. TOM also partnered with China Mobile to launch a user-friendly dial-up ISP service “17201”, further broadening its unique TOMNET access platform.

2. Continue to produce and aggregate new content on the Internet and other media

In addition to producing and aggregating new content on TOM’s narrowband portals, TOM provides broadband content syndicated to broadband networks through Maya Online and GreaTom. TOM is exploring the distribution of its broadband content over ADSL. Simple content is created and distributed to wireless phones. TOM also produces proprietary content in its 43 magazines and 8,000 book titles, some of which are licensed to print media in Mainland China. Sports TV programmes produced by YC Companies are syndicated to over 30 TV stations across Mainland China. Through the acquisition of Hong Xiang, TOM has aggregated an extensive entertainment content library for distribution to retail channels and various technology platforms. In addition, advertising content is produced and distributed via online, print, outdoor, sports and TV media. Cross-divisional content synergies will be leveraged to distribute content across various media.

3. Continue to explore and develop new media and technology for content development

Through Maya Online, TOM has developed a rich media content production and delivery system, “China Interactive TV”, which streams content over broadband distribution networks. TOM’s portals, GreaTom and PC Home have also developed online games using the newest technologies.

#### E-commerce Development

1. Continue to recruit B2C e-commerce alliances to expand e-commerce offerings

163.net’s e-commerce store, 1hao.com, has recruited over 20 additional B2C e-commerce alliances. The product range has been expanded to include computer games and software, office supplies, gift items, accessories, health products, etc.

## Business objectives as stated in the prospectus dated 18 February 2000

2. Continue to develop B2B e-commerce platform
3. Develop fulfilment capabilities for B2C e-commerce transactions

## Actual business progress in respect of the first six months period of 2002

TOM continued to expand ECLink's electronic customs clearance platform to serve 250 businesses in Mainland China. TOM's online division also provides ASP services and Internet access services to a growing number of enterprises.

TOM has already developed fulfilment capabilities for B2C e-commerce transactions. Upon receiving an online order, customer services staff would follow up with a telephone confirmation within 12 hours. Goods are delivered in person (in certain locations) or by mail. Payments can be made via a secure server facility online, payment gateways provided by several banks, bank transfer, mail-in cheque, or in person upon delivery (where applicable). Delivery of non-physical goods is effected in a secure environment online with user identification mechanisms.

## Technology Development

1. Continue to develop new web applications to support the introduction of new content and new features
2. Continue to explore and develop new content distribution channels (e.g. mobile broadband network)

TOM continued to enrich its existing web application offerings, including TOMNET, mobile pay e-mail, web-mobile short messaging, ring-tone and picture downloads, and introduced new applications, such as the "17201" dial-up ISP service. Development of a proprietary web-based outdoor media management system, which supports online search, reservation and monitoring, has been completed.

TOM's content is distributed through traditional and new distribution channels. Traditional channels include print media, outdoor media, sports events, television, and retail stores, while new channels include narrowband, broadband and wireless. During the period, Maya Online launched "China Interactive TV", a rich media content delivery service streamed over broadband distribution networks. TOM is also exploring the distribution of its entertainment content aggregated from Hong Xiang, Maya Online and GreaTom over multiple platforms, including ADSL.

## Resources Deployment

1. Employ additional staff as required for business growth

The Company has assembled a strong management team at the corporate head office and a experienced media veterans in each of its divisions. During the period, TOM continued to appoint Financial Controllers to each of its new subsidiaries to enforce financial discipline. It has also recruited seasoned managers with over 10 years of media expertise to drive rationalisation and integration efforts in each division. Furthermore, the acquisition of a music and entertainment company and five additional outdoor media operators in Mainland China have added creative media production staff to complement TOM's cross-media offerings.

## UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2002

	Notes	Three months ended 30 June		Six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover		<u>414,697</u>	<u>145,177</u>	<u>679,218</u>	<u>222,181</u>
Cost of sales		253,671	80,504	408,751	118,509
Interest income		(1,557)	(5,836)	(3,209)	(16,509)
Selling and marketing expenses		46,013	24,799	85,838	45,337
Administrative expenses		54,601	39,295	101,668	69,172
Other operating expenses		41,538	36,605	88,108	72,663
Amortisation and depreciation		<u>38,260</u>	<u>27,597</u>	<u>70,655</u>	<u>52,434</u>
Operating loss		17,829	57,787	72,593	119,425
Finance costs		4,714	-	8,248	-
Share of losses of jointly controlled entities		6,392	10,715	17,161	17,968
Share of profits less losses of associated companies		<u>(7)</u>	<u>655</u>	<u>312</u>	<u>1,578</u>
Loss before taxation		28,928	69,157	98,314	138,971
Taxation	3	<u>15,767</u>	<u>5,886</u>	<u>23,963</u>	<u>6,497</u>
Loss after taxation		44,695	75,043	122,277	145,468
Minority interests		<u>4,864</u>	<u>2,910</u>	<u>2,230</u>	<u>2,819</u>
Loss attributable to shareholders		<u>49,559</u>	<u>77,953</u>	<u>124,507</u>	<u>148,287</u>
Loss per share	5	<u>HK1.50 cents</u>	<u>HK2.42 cents</u>	<u>HK3.78 cents</u>	<u>HK4.64 cents</u>

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2002

		Unaudited 30 June 2002 HK\$'000	Audited 31 December 2001 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6	929,255	453,783
Fixed assets	7	243,276	190,630
Interests in jointly controlled entities		103,911	125,632
Interests in associated companies		5,077	3,741
Investment securities		29,008	37,005
Loan to a related company		13,260	13,260
		<u>1,323,787</u>	<u>824,051</u>
<b>Current assets</b>			
Inventories		104,841	92,676
Trade and other receivables	8	692,805	516,831
Other investments		34,073	–
Bank balances and cash		258,772	233,885
		<u>1,090,491</u>	<u>843,392</u>
<b>Current liabilities</b>			
Consideration payables		472,807	289,729
Trade and other payables	9	533,910	478,199
Taxation payable		66,967	58,258
Current portion of long-term bank loans, secured		292	12,228
Short-term loans		21,444	48,405
		<u>1,095,420</u>	<u>886,819</u>
<b>Net current liabilities</b>		<u>(4,929)</u>	<u>(43,427)</u>
<b>Total assets less current liabilities</b>		1,318,858	780,624
<b>Non-current liabilities</b>			
Long-term bank loans, secured		2,622	2,223
Loans from shareholders	10	650,000	100,000
Loans from minority shareholders		3,350	1,866
Deferred taxation		7,698	2,721
Pension obligations		17,233	10,653
<b>Minority interests</b>		<u>133,192</u>	<u>84,158</u>
<b>Net assets</b>		<u>504,763</u>	<u>579,003</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	330,084	327,765
Reserves	13	179,907	252,329
Own shares held	14	(5,228)	(1,091)
<b>Shareholders' funds</b>		<u>504,763</u>	<u>579,003</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2002**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash used in operating activities	<b>(188,503)</b>	(348,558)
Net cash used in investing activities	<b>(315,175)</b>	(93,929)
Net cash from financing activities	<b>528,565</b>	17,840
Increase/(decrease) in bank balances and cash	<b>24,887</b>	(424,647)
Bank balances and cash at 1 January	<b>233,885</b>	934,512
Bank balances and cash at 30 June	<b>258,772</b>	509,865

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2002**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the period – Total equity	<b>579,003</b>	787,057
Net gains and losses not recognised in the profit and loss account		
Investment revaluation deficits	<b>(1,796)</b>	–
Exchange difference	<b>5,491</b>	(69)
	<u><b>582,698</b></u>	<u>786,988</u>
Loss for the period	<b>(124,507)</b>	(148,287)
Issuance of shares, net of issuing expenses	<b>50,709</b>	305,587
Elimination of own shares held	<b>(4,137)</b>	–
	<u><b>504,763</b></u>	<u>944,288</u>
At end of the period – Total equity		

## Notes to the condensed interim accounts

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2001, except that the Group has adopted the new and revised SSAPs which became effective on 1 January 2002. The adoption of these new and revised SSAPs has no material effect on the Group's results.

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

### 2. Segment information

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2002				Group HK\$'000
	Online Division HK\$'000	Outdoor Media Group HK\$'000	Publishing Division HK\$'000	Sports & Entertainment Division HK\$'000	
Turnover	<u>109,565</u>	<u>76,115</u>	<u>366,609</u>	<u>126,929</u>	<u>679,218</u>
Segment loss/(profit) before amortisation and depreciation	<u>28,994</u>	<u>(18,580)</u>	<u>(47,455)</u>	<u>(12,594)</u>	<u>(49,635)</u>
Amortisation and depreciation	<u>32,262</u>	<u>11,789</u>	<u>19,673</u>	<u>223</u>	<u>63,947</u>
Segment loss/(profit)	<u>61,256</u>	<u>(6,791)</u>	<u>(27,782)</u>	<u>(12,371)</u>	<u>14,312</u>
Unallocated costs					<u>58,281</u>
Operating loss					<u>72,593</u>
Finance costs					<u>8,248</u>
Share of losses of jointly controlled entities	17,161	-	-	-	17,161
Share of (profits) less losses of associated companies	1,010	-	(698)	-	<u>312</u>
Loss before taxation					<u>98,314</u>
Taxation					<u>23,963</u>
Loss after taxation					<u>122,277</u>
Minority interests					<u>2,230</u>
Loss attributable to shareholders					<u>124,507</u>

## Notes to the condensed interim accounts

### 2. Segment information (continued)

	Six months ended 30 June 2001				
	Online Division HK\$'000	Outdoor Media Group HK\$'000	Publishing Division HK\$'000	Sports & Entertainment Division HK\$'000	Group HK\$'000
Turnover	<u>53,425</u>	<u>71,874</u>	<u>19,899</u>	<u>76,983</u>	<u>222,181</u>
Segment loss/(profit) before amortisation and depreciation	55,242	(39,539)	5,439	(9,026)	12,116
Amortisation and depreciation	<u>46,682</u>	<u>4,530</u>	<u>1,021</u>	<u>201</u>	<u>52,434</u>
Segment loss/(profit)	<u>101,924</u>	<u>(35,009)</u>	<u>6,460</u>	<u>(8,825)</u>	64,550
Unallocated costs					<u>54,875</u>
Operating loss					119,425
Share of losses of jointly controlled entities	17,968	–	–	–	17,968
Share of losses of associated companies	1,578	–	–	–	<u>1,578</u>
Loss before taxation					138,971
Taxation					<u>6,497</u>
Loss after taxation					145,468
Minority interests					<u>2,819</u>
Loss attributable to shareholders					<u>148,287</u>

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

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover		Segment loss /(profit)	
	Six months ended 30 June 2002 HK\$'000	Six months ended 30 June 2001 HK\$'000	Six months ended 30 June 2002 HK\$'000	Six months ended 30 June 2001 HK\$'000
Hong Kong	37,581	44,151	15,675	26,495
Mainland China	298,559	178,030	(9,780)	(14,379)
Taiwan	<u>343,078</u>	<u>–</u>	<u>(55,530)</u>	<u>–</u>
	<u>679,218</u>	<u>222,181</u>	<u>(49,635)</u>	12,116
Amortisation and depreciation			63,947	52,434
Unallocated costs			<u>58,281</u>	<u>54,875</u>
Operating loss			<u>72,593</u>	<u>119,425</u>

There are no significant sales between the geographical segments.

## Notes to the condensed interim accounts

### 3. Taxation

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

	Three months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax ( <i>Note a</i> )	725	911	793	911
Mainland China and Taiwan taxation ( <i>Note b</i> )	12,494	4,975	18,466	5,586
Deferred taxation ( <i>Note c</i> )	2,548	-	4,704	-
	<u>15,767</u>	<u>5,886</u>	<u>23,963</u>	<u>6,497</u>

*Notes:*

- Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period.
- Taxation on profits of subsidiaries in Mainland China and Taiwan has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in Mainland China and Taiwan.
- Deferred taxation has been provided at the rate of 20% (2001: N/A) on the estimated distributable profits attributable to the Group in respect of subsidiaries operating in Taiwan, according to the prevailing tax regulations.
- No recognition of the potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

### 4. Interim dividend

The directors do not recommend the payment of an interim dividend for the period (2001: HK\$Nil).

### 5. Loss per share

The calculation of the basic loss per share for the three months and six months ended 30 June 2002 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$49,559,000 and HK\$124,507,000 (2001: HK\$77,953,000 and HK\$148,287,000) and the weighted average number of 3,295,905,205 and 3,290,572,731 (2001: 3,218,949,675 and 3,196,818,977) ordinary shares outstanding during the periods.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months and six months ended 30 June 2002 and 30 June 2001.

### 6. Intangible assets

	Goodwill HK\$'000	Concession rights HK\$'000	Publishing rights HK\$'000	30 June	31 December
				2002 Total HK\$'000	2001 Total HK\$'000
At beginning of the period	440,019	13,764	-	453,783	293,823
Additions	490,082	-	2,539	492,621	460,387
Acquisition of subsidiaries	-	5,342	-	5,342	1,328
Amortisation charge	(21,195)	(728)	(635)	(22,558)	(20,799)
Impairment charge	-	-	-	-	(280,936)
Exchange adjustment	67	-	-	67	(20)
At end of the period	<u>908,973</u>	<u>18,378</u>	<u>1,904</u>	<u>929,255</u>	<u>453,783</u>

## Notes to the condensed interim accounts

### 7. Fixed assets

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
At beginning of the period	190,630	237,900
Additions	65,796	48,918
Acquisition of subsidiaries	34,064	47,772
Disposals	(73)	(5,954)
Depreciation charge	(48,097)	(88,266)
Impairment charge	-	(49,540)
Exchange adjustment	956	(200)
	<u>243,276</u>	<u>190,630</u>
At end of the period	<u>243,276</u>	<u>190,630</u>

### 8. Trade and other receivables

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Due from		
Jointly controlled entities	11,223	10,308
Associated companies	618	516
Related companies	29,043	18,608
Trade receivables	363,068	257,836
Prepayments and deposits	135,841	125,259
Other receivables	153,012	104,304
	<u>692,805</u>	<u>516,831</u>
	<u>692,805</u>	<u>516,831</u>

The ageing analysis of the Group's trade receivables at end of the period is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Current	160,479	102,462
31-60 days	67,190	39,116
61-90 days	44,361	27,470
Over 90 days	91,038	88,788
	<u>363,068</u>	<u>257,836</u>
	<u>363,068</u>	<u>257,836</u>

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

## Notes to the condensed interim accounts

### 9. Trade and other payables

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Due to		
Associated companies	–	1,112
Related companies	10,793	5,006
Trade payables	203,502	188,568
Other payables	184,797	156,881
Accruals	134,818	126,632
	<u>533,910</u>	<u>478,199</u>

The ageing analysis of the Group's trade payables at end of the period is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Current	67,650	102,496
31-60 days	32,277	20,177
61-90 days	20,042	21,208
Over 90 days	83,533	44,687
	<u>203,502</u>	<u>188,568</u>

### 10. Loans from shareholders

These represented unsecured loans from the substantial shareholders of the Company, Hutchison Whampoa Limited ("HWL"), Cheung Kong (Holdings) Limited ("CKH") and Cranwood Company Limited ("Cranwood") in the amounts of HK\$260,000,000 (31 December 2001: HK\$40,000,000), HK\$130,000,000 (31 December 2001: HK\$20,000,000) and HK\$260,000,000 (31 December 2001: HK\$40,000,000) respectively. In accordance with the Facility Letters dated 10 December 2001, the Group was granted unsecured loan facilities of up to an aggregate of HK\$850,000,000 at interest rate of 50 basis points over 3 month HIBOR. The loans will be repayable by the end of 2003.

### 11. Share capital

	30 June 2002		31 December 2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<b>Authorised</b>				
Ordinary shares of HK\$0.1 each	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
<b>Issued and fully paid</b>				
At beginning of the period	3,277,645,808	327,765	3,159,390,899	315,939
Issuance of shares	<u>23,187,977</u>	<u>2,319</u>	<u>118,254,909</u>	<u>11,826</u>
At end of the period	<u>3,300,833,785</u>	<u>330,084</u>	<u>3,277,645,808</u>	<u>327,765</u>

(a) On 7 January, 21 February, 13 March, 15 March and 14 June 2002, 3,632,000, 908,000, 3,340,000, 2,724,000 and 450,000 ordinary shares were allotted and issued at HK\$1.78 each pursuant to Pre-IPO Share Option Plan, respectively.

(b) On 7 February and 24 May 2002, 4,300,000 and 7,833,977 ordinary shares were allotted and issued at prices ranging between HK\$1.91 and HK\$3.464 per share, which are the fair value calculated based on the average closing price quoted on the Stock Exchange for the calendar month immediately prior to the date of acquisitions, as part of the considerations for the acquisition of subsidiaries, respectively.

## Notes to the condensed interim accounts

### 12. Share option schemes

Details of options outstanding as at 30 June 2002 are as follows:

	Number of share options	
	Pre-IPO Share Option Plan	Share Option Scheme
As at 1 January 2002	36,330,000	121,824,000
Add: share options granted during the period	–	64,230,000
Less: share options exercised during the period	(7,422,000)	–
Less: share options lapsed during the period	(12,712,000)	(6,386,000)
Less: share options cancelled during the period	–	(63,624,000)
	<u>16,196,000</u>	<u>116,044,000</u>
As at 30 June 2002	<u>16,196,000</u>	<u>116,044,000</u>

The subscription price per share under the Pre-IPO Share Option Plan is HK\$1.78. The options granted under the Share Option Scheme can be exercised at prices ranging from HK\$3.76 to HK\$11.3 per share at any time within the option period of three to ten years from the respective dates of grant, provided that the options have been vested. Generally, the options are vested in different tranches and may be exercised within the option period unless the grantees have agreed not to exercise the options.

### 13. Reserves

	Share	Capital	Capital	General reserve	Revaluation reserve	Exchange difference	Accumulated losses	30 June	31 December
	premium	Capital	redemption					2002	2001
	account	reserve	reserve					Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the period	2,231,099	(377)	776	139	–	(547)	(1,978,761)	252,329	471,118
Issuance of shares for acquisition of subsidiaries	30,018	–	–	–	–	–	–	30,018	405,280
Exercise of share options	18,571	–	–	–	–	–	–	18,571	12,187
Disposal of a subsidiary	–	–	–	–	–	–	–	–	150
Share issuing expenses	(199)	–	–	–	–	–	–	(199)	–
Investment revaluation deficits	–	–	–	–	(1,796)	–	–	(1,796)	–
Loss for the period/year	–	–	–	–	–	–	(124,507)	(124,507)	(635,887)
Exchange difference	–	–	–	–	–	5,491	–	5,491	(519)
	<u>2,279,489</u>	<u>(377)</u>	<u>776</u>	<u>139</u>	<u>(1,796)</u>	<u>4,944</u>	<u>(2,103,268)</u>	<u>179,907</u>	<u>252,329</u>
At end of the period	<u>2,279,489</u>	<u>(377)</u>	<u>776</u>	<u>139</u>	<u>(1,796)</u>	<u>4,944</u>	<u>(2,103,268)</u>	<u>179,907</u>	<u>252,329</u>

### 14. Own shares held

Own shares held represent the cost of 2,681,373 (31 December 2001: 607,845) ordinary shares in the Company held by certain subsidiaries and are deducted in arriving at the shareholders' funds.

## Notes to the condensed interim accounts

### 15. Acquisitions

The financial position as at 30 June 2002 and post acquisition profit in respect of subsidiaries acquired during the period amounted to HK\$95,512,000 and HK\$8,770,000 respectively.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Intangible assets (note 6)	5,342
Fixed assets (note 7)	34,064
Trade and other receivables	62,825
Bank balances and cash	112,154
Trade and other payables	(83,409)
Other assets less liabilities	(44,234)
	<hr/>
Fair value of net assets	86,742
Goodwill (note 6)	490,082
	<hr/>
	576,824
	<hr/> <hr/>
Satisfied by:	
Cash	303,883
Allotment of shares	15,108
Consideration payables	241,839
Interests in jointly controlled entities held prior to acquisitions	1,104
Investment securities held prior to acquisitions	14,890
	<hr/>
	576,824
	<hr/> <hr/>

### 16. Pledge of assets

At 30 June 2002, bank deposits and cash totalling HK\$23,799,000 (31 December 2001: HK\$63,230,000) were pledged to banks and financial institutions for securing banking facilities granted to the Group's subsidiaries and a jointly controlled entity.

At 30 June 2002, the net book value of fixed assets pledged as security for the Group's long-term loans amounted to HK\$580,000 (31 December 2001: HK\$Nil).

### 17. Contingent liabilities

At 30 June 2002, the Group had contingent liabilities amounting to approximately HK\$29,384,000 (31 December 2001: HK\$81,371,000) comprising of:

- (a) the contingent liabilities amounting to approximately HK\$19,984,000 in respect of litigation proceeding with International Merchandising Corporation on the dispute over the termination of a sponsorship contract. The arbitration hearing took place in February 2002 and a partial award on liability was made by the tribunal on 7 May 2002. The arbitration continues. Based on the partial award on liability and other developments in the arbitration, the maximum amount of the counterclaim against a subsidiary of the Group has been limited to US\$2,562,000 (approximately HK\$19,984,000), subject to the counterparty's proof of actual loss. Taking into account of the legal advice sought and in view of the difficulty of determining reliably the liability in connection with the dispute, a provision for potential liabilities could not be made at this stage.
- (b) the provision of fixed deposits amounting to approximately HK\$9,400,000 as securities for bank loans granted to a jointly controlled entity in which the Group has a 50% equity interest.

### 18. Commitments

(a) Capital commitments	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Acquisition of new investments		
– Contracted but not provided for	229,241	370,287
Acquisition of fixed assets		
– Contracted but not provided for	7,867	45,545
– Authorised but not contracted for	134,425	–
	<hr/>	<hr/>
	371,533	415,832
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the condensed interim accounts

### 18. Commitments (continued)

(b) At 30 June 2002, the Group had commitments in respect of contributions to registered capital of certain subsidiaries in Mainland China totalling HK\$115,095,000 (31 December 2001: HK\$174,027,000), of which HK\$91,595,000 (31 December 2001: HK\$122,237,000) has been paid up subsequent to the balance sheet date.

(c) Commitments under operating leases

At 30 June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2002		31 December 2001	
	Land and buildings HK\$'000	Other assets HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000
Not later than one year	33,964	30,423	29,780	23,894
Later than one year and not later than five years	50,338	105,747	44,924	83,948
Later than five years	–	148,824	–	158,163
	<u>84,302</u>	<u>284,994</u>	<u>74,704</u>	<u>266,005</u>

### 19. Related party transactions

In the opinion of the directors of the Company, the following is a summary of significant related party transactions in addition to those disclosed in the preceding notes 8, 9 and 10 to the interim accounts.

	Notes	30 June 2002 HK\$'000	30 June 2001 HK\$'000
Office rental and service fee payable to related companies	(a)		
– a subsidiary of HWL		2,275	3,052
– a subsidiary of CKH		5,178	6,153
Service fees payable to	(b)		
– a jointly controlled entity		6,821	1,147
– subsidiaries of minority shareholders		3,325	170
Fees for facility management service and lease line rental payable to an associated company of HWL	(c)	426	995
Internet content supply, event air-time and advertising expenses payable to Metro Broadcast Corporation Limited ("Metro"), an associated company of HWL and CKH		1,919	1,472
Media placement cost payable to 羊城晚报社, a minority shareholder of a subsidiary	(d)	19,645	16,293
Office rental and service fee receivable from Metro	(e)	894	843
Advertising and events revenue receivable from			
– subsidiaries of HWL		–	1,328
– a joint venture of HWL		–	2,300
– a minority shareholder of a subsidiary		–	3,863
– Metro		–	160
Interest income from loans to related companies	(f)		
– jointly controlled entities		935	531
– a minority shareholder of a subsidiary		337	–
Acquisition of 50% equity interest in Shanghai Maya Cultural Transmission Company Limited from a company beneficially owned by HWL, CKH and Cranwood		–	64,939
Interest expenses payable in respect of loans from shareholders	10		
– a subsidiary of HWL		2,438	–
– a subsidiary of CKH		1,219	–
– Cranwood		2,438	–

## Notes to the condensed interim accounts

### 19. Related party transactions (continued)

*Notes:*

- (a) The rental and service fees payable to subsidiaries of HWL and CKH for office premises leased to the Group. The office premises were leased to the Group at market rates.
- (b) The service fees were recharged by related companies on cost reimbursement basis for the provision of goods and administrative services.
- (c) An associated company of HWL provided internet facilities management and line leasing services to the Group at market rates.
- (d) Media placement services were charged by 羊城晚報社 to the Group at market rates.
- (e) Rental of office premises was charged to Metro based on the floor areas occupied.
- (f) Interests on loans to related companies were calculated at interest rates comparable to market.

### 20. Subsequent events

- (a) On 9 July 2002, the Group entered into memoranda of understandings (“MOUs”) with certain independent third parties to acquire respective 32.75% of the equity interests in Asia Television Limited and 50% of the equity interests in HKATV.com Limited by issuance of 87,200,000 shares and 12,800,000 shares of the Company at HK\$3.33 per share and HK\$5.51 per share, respectively. These proposed acquisitions, if proceed, may constitute a notifiable transaction involving issuance of new shares under Chapter 19 of the Listing Rules of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Save for certain provisions on exclusivity, confidentiality, due diligence, termination and governing law, the MOUs are not legally binding.
- (b) On 1 August 2002, the Group entered into an agreement with an independent third party to acquire 70% of the equity interest in a company engaging in outdoor media advertising in mainland China for cash consideration of approximately HK\$20,501,000 (subject to adjustments) and by issuance of 5,231,561 shares (subject to adjustments) of the Company at HK\$5.51 per share.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2002, 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

*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 Share Option Scheme, certain Directors were granted share options to subscribe for the shares of TOM, details of which as at 30 June 2002 were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at		Option period	Subscription price per share of TOM HK\$
		30 June 2002			
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	7/2/2002	10,000,000		7/2/2002–6/2/2012	3.76
Michelle Leung	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

Save as disclosed above, during the six months ended 30 June 2002, none of the Directors or their Associates was granted options to subscribe for shares of TOM, nor had exercised such rights.

Save as disclosed above, none of the Directors or their Associates had, as at 30 June 2002, any interests in the shares of TOM or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

## OUTSTANDING SHARE OPTIONS

As at 30 June 2002, options to subscribe for an aggregate of 132,240,000 shares of TOM granted pursuant to the Pre-IPO Share Option Plan adopted by TOM on 11 February 2000 (as described in Appendix IV to TOM's prospectus dated 18 February 2000) and the Share Option Scheme were outstanding. Details of which were as follows:

### (a) Pre-IPO Share Option Plan

As at 30 June 2002, options to subscribe for an aggregate of 16,196,000 shares of TOM were outstanding and these options relate to the options granted to 3 persons who are employees of the Group at the date of grant. Details of which as at 30 June 2002 were as follows:

Date of Grant	Number of share options				Outstanding as at 30 June 2002	Option period	Subscription price per share of TOM HK\$
	Outstanding as at 1 January 2002	Exercised during the period	Lapsed during the period	Cancelled during the period			
11/2/2000	36,330,000	7,422,000 <i>(Note 1)</i>	12,712,000	-	16,196,000	11/2/2000- 10/2/2010 <i>(Note 2)</i>	1.78

*Notes:*

1. The weighted average closing price of the shares of TOM immediately before the date on which the options were exercised is HK\$3.745.
2. The options will vest in three tranches in the proportion of 20%:30%:50%. The first and second tranches of the options have vested on 11 February 2001 and 11 February 2002, respectively. The third tranche of the options will vest on 11 February 2003.

## OUTSTANDING SHARE OPTIONS (continued)

### (b) Share Option Scheme

As at 30 June 2002, options to subscribe for an aggregate of 116,044,000 shares of TOM which were granted to certain continuous contract employees of the Group (including the executive directors of the Group as disclosed above) were outstanding. Details of which as at 30 June 2002 were as follows:

Date of grant	Number of share options					Outstanding as at 30 June 2002	Option period	Subscription price per share of TOM HK\$
	Outstanding as at 1 January 2002	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
23/3/2000	6,604,000	-	-	952,000	2,142,000 <i>(Note 10)</i>	3,510,000 <i>(Note 1)</i>	23/3/2000- 22/3/2010	11.30
8/4/2000	15,000,000	-	-	-	15,000,000 <i>(Note 10)</i>	-	-	8.78
31/5/2000	7,000,000	-	-	-	4,668,000 <i>(Note 10)</i>	2,332,000 <i>(Note 2)</i>	31/5/2000- 30/5/2010	4.685
26/6/2000	4,042,000	-	-	804,000	1,442,000 <i>(Note 10)</i>	1,796,000 <i>(Note 3)</i>	26/6/2000- 25/6/2010	5.89
30/6/2000	15,000,000	-	-	-	12,000,000 <i>(Note 10)</i>	3,000,000 <i>(Note 4)</i>	30/6/2000- 29/6/2010	5.27
8/8/2000	54,858,000	-	-	3,986,000	28,372,000 <i>(Note 10)</i>	(i) 9,086,000 <i>(Note 5a)</i>  (ii) 13,414,000 <i>(Note 5b)</i>	8/8/2000- 7/8/2010	5.30
9/11/2000	4,320,000	-	-	-	-	4,320,000 <i>(Note 6)</i>	9/11/2000- 8/11/2010	5.30
15/11/2000	15,000,000	-	-	-	-	15,000,000 <i>(Note 7)</i>	15/11/2000- 14/11/2010	5.30
7/2/2002	-	64,230,000	-	644,000	-	63,586,000 <i>(Note 8)</i>	7/2/2002- 6/2/2012	3.76 <i>(Note 9)</i>
	<u>121,824,000</u>	<u>64,230,000</u>	<u>-</u>	<u>6,386,000</u>	<u>63,624,000</u>	<u>116,044,000</u>		

## OUTSTANDING SHARE OPTIONS (continued)

### Notes:

1. The options will vest in two tranches in the proportion of 50%:50%. The first and second tranches of the options will vest on 23 March 2005 and 23 March 2006, respectively.
2. The options have vested on 31 May 2001.
3. The options will vest in two tranches in the proportion of 50%:50%. The first and second tranches of the options will vest on 26 June 2005 and 26 June 2006, respectively.
4. The options have vested on 30 June 2001.
5. (a) The options have vested on 8 August 2001.  
(b) The options will vest in two tranches in the proportion of 50%:50%. 70% of the first tranche of the options has vested on 8 August 2001, the remaining 30% of the first tranche has lapsed due to certain conditions not having been fulfilled. Subject to the fulfillment of certain conditions under the share options, the second tranche of the options will vest on 8 August 2002.
6. The options will vest in three tranches in the proportion of 1/3:1/3:1/3. 70% of the first tranche of the options has vested on 9 November 2001, the remaining 30% of the first tranche has lapsed due to certain conditions not having been fulfilled. Subject to the fulfillment of certain conditions, the second and third tranches of the options will vest on 9 November 2002 and 9 November 2003, respectively.
7. The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the option has vested on 15 November 2001. The second and third tranches of the options will vest on 15 November 2002 and 15 November 2003, respectively.
8. 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 option would have vested on 8 February 2002. The second and third tranches of the options will vest on the second and third anniversaries (as the case may be) of their respective joining dates with the Group. For those grantees who have worked for the Group for less than 1 year, the first, second and third tranches of the options will vest on the first, second and third anniversaries of their respective joining dates with the Group, as the case may be.
9. The closing price of the shares of TOM immediately before the date on which the options were granted is HK\$3.65.
10. The options were cancelled pursuant to the ordinary resolution of TOM passed at the Extraordinary General Meeting of TOM held on 24 April 2002.

### Valuation of share options

The options granted are not recognised 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 period 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 (Notes 1 & 2)
Li Ka-Shing Unity Holdings Limited	1,429,024,545 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	1,429,024,545 (Notes 1 & 2)
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	1,429,024,545 (Notes 1 & 2)
Cheung Kong (Holdings) Limited	1,429,024,545 (Notes 1 & 2)
Cheung Kong Investment Company Limited	476,341,182 (Note 1)
Cheung Kong Holdings (China) Limited	476,341,182 (Note 1)
Sunnylink Enterprises Limited	476,341,182 (Note 1)
Romefield Limited	476,341,182 (Note 1)
Hutchison Whampoa Limited	952,683,363 (Note 2)
Hutchison International Limited	952,683,363 (Note 2)
Easterhouse Limited	952,683,363 (Note 2)
Chau Hoi Shuen	951,742,363 (Note 3)
Cranwood Company Limited	951,742,363 (Note 3)
Schumann International Limited	580,000,000 (Note 3)
Handel International Limited	348,000,000 (Note 3)

### Notes:

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

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

## **SUBSTANTIAL SHAREHOLDERS** (continued)

*Notes: (continued)*

- (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 23,742,363 shares of TOM held by itself.

By virtue of the SDI Ordinance, Ms. Chau Hoi Shuen is deemed to be interested in 23,742,363 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 and Mrs. Susan Chow is also an executive director of HHR. 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 operate general information portals and HHR is engaged in Internet B2B investment. 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. Wang in the Internet industry will complement the development of the Group's business.

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

## FINANCIAL ASSISTANCE TO JOINTLY CONTROLLED ENTITIES

As at 30 June 2002, the Group provided the following financial assistance to the jointly controlled entities:

Name of company	Advances HK\$'000	Corporate guarantee HK\$'000
Maya Online	11,271 <i>(Note 1)</i>	9,400 <i>(Note 4)</i>
	18,798 <i>(Note 2)</i>	–
	62,563 <i>(Note 3)</i>	–
Redsail	2,077 <i>(Note 5)</i>	–
ChinaPlus	545 <i>(Note 6)</i>	–
Cernet Online	182 <i>(Note 7)</i>	–

*Notes:*

- 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.
- 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.
- These advances to Maya Online made between the period from 27 December 2000 to 30 June 2002 are unsecured, interest free and repayable on demand.
- This represents the corporate guarantee secured by the deposition of a fixed deposit of HK\$9,400,000 for a bank loan of RMB10,000,000 granted to Maya Online on 26 September 2001 for working capital purposes. The aforesaid bank loan has been fully utilized by Maya Online.
- An advance of HK\$3,760,000 was made to Redsail on 4 June 2001. This is unsecured, bearing interest at the rate of 6% per annum and is repayable on or before 17 April 2004. During the six month period ended 30 June 2002, HK\$1,683,000 was repaid by Redsail.
- These advances to ChinaPlus made between the period from 1 January 2002 to 30 June 2002 are unsecured, interest free and repayable on demand.
- These advances to Cernet Online made between the period from 1 January 2002 to 30 June 2002 are unsecured, interest free and repayable on demand.

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

The proforma combined balance sheet of the jointly controlled entities as at 30 June 2002 is set out as follows:

	HK\$'000
Non-current assets	70,157
Current assets	86,398
Current liabilities	(43,822)
Non-current liabilities	(84,213)
	<hr/>
Net assets	<u>28,520</u>
	<hr/>
The Group's share of net assets	<u>7,956</u>

## **SPONSOR'S INTERESTS**

As updated and notified by TOM's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 30 June 2002, an Associate and an employee of the Sponsor held 200,000 shares and 10,000 shares of TOM respectively.

Save as disclosed above, neither the Sponsor nor its directors or employees or Associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of TOM, including options or rights to subscribe for such securities as at 30 June 2002.

Pursuant to the agreement dated 17 February 2000 entered into between TOM and the Sponsor, the Sponsor will receive a fee for acting as TOM's retained sponsor for the period from 17 February 2000 to 31 December 2002. In addition, the Sponsor would receive financial advisory and documentation fees for acting as TOM's financial adviser in relation to certain transactions.

## **AUDIT COMMITTEE**

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

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises an executive Director, Mr. Lee Kwok Ming, Don and two independent non-executive Directors, namely Mrs. Angelina Lee and Mr. Henry Cheong. The audit committee has met 10 times since its formation.

## **BOARD PRACTICES AND PROCEDURES**

During the six months ended 30 June 2002, TOM has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules, except that the non-executive Directors are not appointed for specific terms and are subject to re-election at the annual general meeting of TOM in accordance with the provisions of TOM's Articles of Association.

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

During the six months ended 30 June 2002, neither TOM nor any of its subsidiaries purchased, sold or redeemed any of TOM's listed shares.