TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

This announcement, for which the Directors of TOM 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. The Directors of TOM, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statements in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

Financial Highlights:

- The TOM Group increased total revenue sevenfold to HK$627 million in the financial year ended 31 December 2001.
- Online revenue grew 1.6 times to HK$144 million. Offline revenue increased by 13 times to reach HK$483 million. As a result, the TOM Group's operating loss has narrowed to HK$231 million, a 40% improvement from the previous year.

The TOM Group has recorded a net loss attributable to shareholders for the year ended 31 December 2001 of HK$636 million, representing a basic loss per share of HK19.78 cents.

The audited consolidated results for the year ended 31 December 2001 and the comparisons with last year are set out in the accompanying table.

CHAIRMAN'S STATEMENT

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

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

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

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

Financial Highlights

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

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

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

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

Outlook

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

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

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

Frank Sixt
Chairman

Hong Kong, 15 March 2002

Operations Review: Online

Online

Overview

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

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

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

Key Developments

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

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

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

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

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

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

Outlook

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

Telecom Value-Added Services (VAS)

Overview

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

Key Developments

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

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

Outlook

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

Operations Review: Offline

Print

Overview

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

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

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

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

Key Developments

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

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

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

Acquisition Details

The consideration paid for 49% of PC Home and Cité was HK$306 million, of which 57.5% (HK$172.3 million) was paid in cash and 42.5% (HK$129.7 million) in TOM shares at HK$5.51 per share.

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

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

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

Integration

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

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

As an integrated entity that publishes 31 million copies of magazines and 10 million copies of books a year, TOM's publishing groups achieve cost synergies through heightened bargaining power. Re-negotiations of terms with suppliers and distributors have ensued. Paper and printing costs are targeted to decrease by 5% to 10%. Discounts given to distribution channels are expected to narrow to 30%, well below the industry average of 45%.

Outlook

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

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

Outdoor

Overview

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

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

Key Developments

TOM continued to expand its outdoor media business in Mainland China with the signing of an agreement with Perfect Team and four separate memoranda of understanding with Chunyu, Qilu, Tianming and Yanhuang for the acquisition of majority stakes in August 2001. The five companies have profiles consistent with previous acquisitions. They are typically the number one or two player in key economic cities, with thousands of quality assets concentrated in city centres, along highways or around airports. The management of these companies are generally young entrepreneurs with over eight years of advertising and outdoor experience. Some have previously held government positions and all have good relationships with the local municipal authorities, enabling the companies to secure long-term concessions for as long as 20 years. In some cases, concessions last indefinitely. Key performance indicators typically include occupancy rates of about 70% to 80% and net profit margins of at least 20%.

In addition to acquisition growth, significant concession rights secured during the year will generate strong organic growth. Through Maya Cultural, TOM has received the Shanghai government's approval to expand its portfolio of bicycle shelters, which currently enjoy an 85% occupancy rate. The Company has also diversified its street furniture assets in Shanghai to include large advertising spaces on the exteriors of 16 centrally located buildings. In Yunnan province, TOM's outdoor subsidiary Fench Media has been granted the exclusive right to build 100 unipoles along all major highways in the province.

Acquisition Details

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

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

Integration

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

At the operational level, TOM has set up an outdoor media holding company to centralise management and unify operations. A proprietary outdoor media management system is under development, which will integrate the advertising units and client databases of the outdoor subsidiaries. This system is built to maximise the reach of individual assets, allowing the holding company to perform effective nationwide media buying for strategic clients. Key outdoor advertisers of TOM will also be given access to the system for monitoring updates of individual campaign.

Outlook

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

Sports Marketing

Overview

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

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

Key Developments

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

TOM obtained the marketing rights to the China National Gymnastics Squad in July 2001. On the eve of the announcement of the 2008 Olympic host city, the Company organised a KCRC-Chinese Gymnastic Gold Medallists Show. Online and offline resources were deployed to maximise exposure of its client and title sponsor KCRC (Kowloon Canton Railway Corporation) and other advertisers. Through YC Companies, TOM also obtained the exclusive advertising rights to the Official Guide to World Cup 2002 (Mainland China edition). The Guide is the only official World Cup publication with rights granted by the Federation Internationale de Football Association (FIFA). Circulation of the Guide is expected to reach 800,000. Other sporting rights secured for the year include the roles as marketing consultant for the Philips National Football Team, sole agent for the Bu Bu Gao Volleyball League, and marketing agent for the Chinese Basketball Association.

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

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

Outlook

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

Financial Review

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

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

Revenue

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

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

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

Operating Expenses

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

Operating Loss

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

Impairment of Assets

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

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

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

Loss Attributable to Shareholders

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

Liquidity and Financial Resources

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

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

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

Foreign Exchange Exposure

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

Capital Structure

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

Charges on Group Assets

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

Contingent Liabilities

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

Employee Information

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

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

AUDITED CONSOLIDATED RESULTS 2001

The Directors of TOM are pleased to announce the audited consolidated results of the Group for the year ended 31 December 2001, together with comparative figures for the year ended 31 December 2000 as follows:

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

Notes:

1. **Basis of preparation of the accounts**

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

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

SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

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

2. **Segment reporting**

Primary reporting format – business segments

The Group is organised into two main business segments:

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

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

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

Secondary reporting format – geographical segments

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

Hong Kong – Online operations and offline operations

Mainland China – Online operations and offline operations

Taiwan – Offline operations

There are no sales between the geographical segments.

Primary reporting format – business segments

	Online operations 2001 *HK$'000*	Offline operations 2001 *HK$'000*	Group 2001 *HK$'000*
Turnover	143,890	482,734	626,624
Segment loss/(profit) before depreciation and amortisation	92,388	(84,164)	8,224
Depreciation and amortisation	80,432	18,399	98,831
Segment loss/(profit)	172,820	(65,765)	107,055
Unallocated costs			123,537
Operating loss			230,592
Finance costs			1,395
Provision for impairment of goodwill	280,936	–	280,936
Provision for impairment of fixed assets in relation to online operations	49,540	–	49,540
Restructuring costs	8,527	–	8,527
Share of losses of jointly controlled entities	35,856	–	35,856
Share of losses of associated companies	2,428	736	3,164
Loss before taxation			610,010
Taxation			18,692
Loss after taxation			628,702
Minority interests			(7,185)
Loss attributable to shareholders			635,887

	Online operations 2000 *HK$'000*	Offline operations 2000 *HK$'000*	Group 2000 *HK$'000*
Turnover	54,865	34,358	89,223
Segment loss/(profit) before depreciation and amortisation	279,496	(2,247)	277,249
Depreciation and amortisation	61,648	62	61,710
Segment loss/(profit)	341,144	(2,185)	338,959
Unallocated costs			44,377
Operating loss			383,336
Provision for impairment of goodwill	829,211	–	829,211
Restructuring costs	37,717	–	37,717
Share of losses of jointly controlled entities	16,190	–	16,190
Share of losses of associated companies	6,230	–	6,230
Loss before taxation			1,272,684
Taxation			3,147
Loss after taxation			1,275,831
Minority interests			10,546
Loss attributable to shareholders			1,265,285

Second reporting format – geographical segments

	Hong Kong 2001 *HK$'000*	Mainland China 2001 *HK$'000*	Taiwan 2001 *HK$'000*	Group 2001 *HK$'000*
Turnover	96,085	413,350	117,189	626,624
Segment loss/(profit) before depreciation and amortisation	44,331	(22,399)	(13,708)	8,224
Depreciation and amortisation				98,831
Unallocated costs				123,537
Operating loss				230,592

	Hong Kong 2000 *HK$'000*	Mainland China 2000 *HK$'000*	Group 2000 *HK$'000*
Turnover	31,909	57,314	89,223
Segment loss before depreciation and amortisation	217,520	59,729	277,249
Depreciation and amortisation			61,710
Unallocated costs			44,377
Operating loss			383,336

3. Provision for impairment of goodwill

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

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

4. Restructuring costs

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

5. Taxation

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

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

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

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

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

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

6. Loss per share

The basic loss per share is based on the weighted average of 3,215,055,403 (2000: 2,887,139,499) ordinary shares in issue during the year. The 2,300,000,000 ordinary shares outstanding as a result of the Group's reorganisation prior to its initial public offering of its shares in March 2000 are included in the calculation of the weighted average number of shares, as if those shares had been in issue since 1 January 2000.

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

7. Dividends

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

8. Movement of reserves

	Share premium account	Capital reserve	Capital redemption reserve	General reserve	Exchange difference	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	52,335	10	–	–	225	(76,674)	(24,104)
Arising from the reorganisation for listing	–	(387)	–	–	–	–	(387)
Issuance of shares by capitalisation of shareholders' loans	501,245	–	–	–	–	–	501,245
Application of share premium towards issuance of shares	(228,450)	–	–	–	–	–	(228,450)
Issuance of shares to the then shareholders and investors for cash	128,342	–	–	–	–	–	128,342
Issuance of shares pursuant to initial public offering	719,040	–	–	–	–	–	719,040
Over-allotment placement of shares	107,856	–	–	–	–	–	107,856
Placement of shares in September 2000	477,084	–	–	–	–	–	477,084
Issuance of shares for acquisition of subsidiaries and associated companies	700,029	–	–	–	–	–	700,029
Share issuing expenses	(107,515)	–	–	–	–	–	(107,515)
Share repurchase	–	–	776	–	–	(776)	–
Loss for the year, as restated	–	–	–	–	–	(1,265,285)	(1,265,285)
Goodwill set off against reserves, as restated	(536,484)	–	–	–	–	–	(536,484)
Exchange difference	–	–	–	–	(253)	–	(253)
At 31 December 2000	1,813,482	(377)	776	–	(28)	(1,342,735)	471,118

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001, as previously reported	984,271	(377)	776	–	(28)	(513,524)	471,118
Effect of adopting SSAP 30	829,211	–	–	–	–	(829,211)	–
At 1 January 2001, as restated	1,813,482	(377)	776	–	(28)	(1,342,735)	471,118
Issuance of shares for acquisition of subsidiaries	405,280	–	–	–	–	–	405,280
Exercise of share options	12,187	–	–	–	–	–	12,187
Disposal of a subsidiary	150	–	–	–	–	–	150
Loss for the year	–	–	–	–	–	(635,887)	(635,887)
Transfer to general reserve	–	–	–	139	–	(139)	–
Exchange difference	–	–	–	–	(519)	–	(519)
At 31 December 2001	2,231,099	(377)	776	139	(547)	(1,978,761)	252,329

BOARD PRACTICES AND PROCEDURES

TOM has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year, except that the non-executive directors of TOM 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 year, neither TOM nor any of its subsidiaries purchased, sold or redeemed any of TOM's listed securities.

DEFINITIONS

"Business Weekly"	means 商周文化事業股份有限公司 (Business Weekly Publishing Inc.)
"CKH"	means Cheung Kong (Holdings) Limited

"China Sports Industry"	means 中體產業股份有限公司 (China Sports Industry Company Limited)
"Chunyu"	means 青島春雨廣告裝飾工程有限公司 (Qingdao Chunyu Advertising and Décor Construction Company Limited)
"Cité"	means 城邦文化股份有限公司 (Cité Publishing 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)
"Fench Media"	means 昆明風馳傳媒有限公司 (Kunming Fench Media Company Limited)
"GDP"	means gross domestic product
"GEM"	means The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Greater China"	means Mainland China, Hong Kong, Macau and Taiwan
"GreaTom"	means 北京長通聯合寬帶網絡技術有限公司 (Beijing GreaTom United Technology Company Limited)
"Great Wall"	means 長城計算機軟件與系統有限公司 (Great Wall Computer Software and Systems Ltd.) and 長城科技有限公司 (Great Wall Technology Company Limited)
"HIBOR"	means the Hong Kong Interbank Offered Rate
"HKGAAP"	means the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong
"HWL"	means Hutchison Whampoa Limited
"Mainland China"	means The People's Republic of China, excluding Hong Kong, Macau and Taiwan
"Maya Cultural"	means 上海美亞文化傳播有限公司 (Shanghai Maya Cultural Transmission Company Limited)

"Maya Online"	means 上海美亞在線寬頻網絡有限公司 (Shanghai Maya Online Broadband Network Company Limited)
"PC Home"	means 電腦家庭文化事業股份有限公司 (PC Home Publications Inc.)
"Perfect Team"	means Perfect Team Limited
"Qilu"	means 齊魯國際廣告有限公司 (Qilu International Advertising Company Limited) and 濟南齊魯新基業戶外廣告有限公司 (Jinan Qilu Xinjiye Advertising Company Limited)
"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" or the "Company"	means TOM.COM LIMITED
"TOM Group" or the "Group"	means TOM and its subsidiaries
"Yanhuang"	means 北京炎黃時代廣告公司 (Beijing Yanhuang Times Advertising Corporation)
"Yazhou Zhoukan"	means Yazhou Zhoukan Limited（亞洲週刊有限公司）
"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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of TOM at www.tom.com.