THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **TOM.COM LIMITED**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

The Assured Entitlements described herein are not being extended to Shareholders whose addresses on the register of members of the Company at the close of business on the Record Date are outside of Hong Kong.

This circular is distributed to the shareholders of TOM.COM LIMITED only pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities. This circular is not an offer of securities for sale in the United States. Securities of TOM Online Inc. may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities of TOM Online Inc. to be made in the United States will be made by means of a prospectus to be issued by TOM Online Inc. that will contain detailed information about TOM Online Inc. and its management, as well as its financial statements. TOM Online Inc. intends to register a part of its proposed offering of securities in the United States. Terms used in this paragraph have the meanings given to them in Regulation S under the US Securities Act of 1933, as amended.

tom

TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

POSSIBLE MAJOR TRANSACTION INVOLVING THE PROPOSED SPIN-OFF AND SEPARATE LISTINGS OF TOM ONLINE INC. ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE NASDAQ NATIONAL MARKET, CONTINUING CONNECTED TRANSACTIONS, PRE-IPO SHARE OPTION PLAN AND SHARE OPTION SCHEME OF TOM ONLINE INC., GRANT OF OPTIONS TO AN INDIVIDUAL IN EXCESS OF ONE PER CENT. OF ISSUED SHARE CAPITAL OF TOM ONLINE INC. AND REFRESHMENT OF 10 PER CENT. LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME OF TOM ONLINE INC.

Independent financial adviser to the shareholders of TOM.COM LIMITED and to the Independent Board Committee

ROTHSCHILD

A letter from the Independent Board Committee is set out in page 55 of this circular.

A letter from N M Rothschild & Sons (Hong Kong) Limited, the independent financial adviser to the shareholders of TOM.COM LIMITED and to the Independent Board Committee, is set out on pages 56 to 71 of this circular.

A notice convening an extraordinary general meeting of TOM.COM LIMITED to be held at the Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 9:00 a.m. on Monday, 1 March 2004 is set out on pages 194 to 198 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of TOM.COM LIMITED at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

This circular 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.COM LIMITED at www.tomgroup.com.

14 February 2004

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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

	2004
Extraordinary general meeting in respect of the proposed change of name of the Company[1]	9:30 a.m. on Monday, 23 February
Latest time for lodging transfers of Shares to qualify for the Preferential Offer	4:00 p.m. on Monday, 23 February
Indicative price range for ADSs under the International Offering expected to be published on the GEM website	on or about Monday, 23 February
Record Date for determining the entitlements to the Preferential Offer	Tuesday, 24 February
Register of members of the Company closes on	Tuesday, 24 February
Register of members of the Company re-opens on	Wednesday, 25 February
Latest time for return of forms of proxy in respect of the EGM	9:00 a.m. on Saturday, 28 February
EGM	9:00 a.m. on Monday, 1 March

All times refer to Hong Kong local time.

Please note that the above timetable is subject to change depending on the prevailing market conditions. If there are changes to the above timetable, the Company will publish an announcement on the GEM website at www.hkgem.com.

Note:

1. This extraordinary general meeting of the Shareholders was convened to be held at the Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 9:30 a.m. on Monday, 23 February 2004 (or such adjournment thereof) by a notice which was set out in the Company's circular to Shareholders dated 30 January 2004. For further details, please refer to the section headed "Proposed Change of Name of the Company" in the letter from the Board set out in this circular.

CONTENTS

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"ADSs"	American depositary shares to be issued by a depositary representing ownership of a certain number of TOM Online Shares, which are to be quoted on NASDAQ
"Associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Assured Entitlements"	the entitlements of Qualifying Shareholders to apply for Reserved Shares under the Preferential Offer on the basis of an assured entitlement of one Reserved Share for every whole multiple of 100 Shares held by each Qualifying Shareholder at the close of business on the Record Date
"Beijing Oriental"	Beijing Oriental Plaza Company Limited, an Associate of Cheung Kong
"Beijing Super Channel"	Beijing Super Channel Network Limited (北京訊能網絡有限公司), a company established under the laws of the PRC and both a wholly-owned subsidiary of the Company and a member of the TOM Online Group
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday) on which banks in Hong Kong generally are open for banking business and the Stock Exchange is open for the business of dealing in securities
"CCASS"	the Central Clearing and Settlement System, established and operated by Hong Kong Clearing
"CETV"	China Entertainment Television Broadcast Limited
"Cheung Kong"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong, whose securities are listed on the Main Board of the Stock Exchange. Cheung Kong is a substantial shareholder (as such expression is defined under the GEM Listing Rules) of the Company and is interested in approximately 36.85% of the issued share capital of the Company (including the shareholding interest in the Company through Hutchison) as at the Latest Practicable Date
"China Mobile"	China Mobile Communications Corporation, a state-owned enterprise established under the laws of the PRC

"China Unicom"	China United Telecommunications Corporation, a state-owned enterprise established under the laws of the PRC
"Citigroup"	Citigroup Global Markets Asia Limited, which is licensed for Type 1 regulated activity (dealing with securities) and Type 6 regulated activity (advising on corporate finance) under the SFO
"Company"	TOM.COM LIMITED (proposed to be renamed TOM Group Limited), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM and which is the controlling shareholder of TOM Online
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Continuing Connected Transactions"	the Tenancy Agreements and the TOM Online Continuing Connected Transactions
"Convertible Bonds"	the US$150,000,000 of guaranteed convertible bonds due 2008 issued by TOM Holdings Limited (a subsidiary of the Company) on 28 November 2003, as further described in the paragraph headed "Convertible bonds" in Appendix I to this circular
"Cranwood"	Cranwood Company Limited, a company incorporated in the Republic of Liberia and wholly-owned by Ms. Chau Hoi Shuen, which is a substantial shareholder of the Company and is interested in approximately 24.57% of the issued share capital of the Company as at the Latest Practicable Date
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at the Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 1 March 2004 at 9:00 a.m. (or such adjournment thereof), notice of which is set out on pages 194 to 198 of this circular
"Excluded Businesses"	the ten business entities of the Company's online media division which are engaged in either non-portal business within the PRC or online business outside the PRC, or are passive investments of the Company, and which are excluded from the TOM Online Group, as described in the section headed "The Reorganisation" in the letter from the Board set out in this circular

"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Committee"	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Global Offering"	the Hong Kong Public Offer and the International Offering
"Group"	the Company and its subsidiaries (inclusive of the TOM Online Group)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK GAAP"	accounting principles generally accepted in Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Clearing"	Hong Kong Securities Clearing Company Limited
"Hong Kong Portal"	the Company's internet portal operations at www.hk.tom.com
"Hong Kong Public Offer"	the proposed public offer in Hong Kong of new TOM Online Shares in connection with the Proposed Spin-Off, on and subject to the terms and conditions as described in this circular and to be further described and set out in the Prospectus and the related application forms
"Hutchison"	Hutchison Whampoa Limited, a company incorporated in Hong Kong, whose securities are listed on the Main Board of the Stock Exchange. Hutchison is approximately 49.9% (indirectly) owned by Cheung Kong. Hutchison is a substantial shareholder (as such expression is defined under the GEM Listing Rules) of the Company and is interested in approximately 24.57% of the issued share capital of the Company as at the Latest Practicable Date
"Independent Board Committee"	the independent committee of the Board comprised of Mrs. Angelina Lee, Mr. Henry Cheong and Ms. Anna Wu, being all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
"Independent Shareholders"	in relation to any Continuing Connected Transaction means the shareholders of the Company (other than the relevant connected person and its Associates who are interested in such relevant Continuing Connected Transaction and who will be required to abstain from voting on the relevant resolution at the EGM to approve such Continuing Connected Transaction)

"Initial Consideration Shares"	such number of TOM Online Shares representing a sum of US$18.5 million at the Offer Price to be issued and allotted to Cranwood credited as fully paid prior to the Listing Date in order to satisfy the initial consideration for the acquisition of Puccini (subject to adjustments)
"International Offering"	the proposed placing and offering of ADSs (which may, at the option of investors, be delivered in the form of TOM Online Shares) outside of the Hong Kong Public Offer to professional institutional and other investors in connection with the Proposed Spin-Off, on and subject to the terms and conditions as described in this circular and to be further described in the Prospectus
"Joint Global Coordinators"	Citigroup and Morgan Stanley
"Joint Sponsors"	Citigroup and Morgan Stanley
"Latest Practicable Date"	Friday, 13 February 2004, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
"Listing Date"	the date, expected to be on or around Thursday, 11 March 2004, on which dealings in TOM Online Shares first commence on GEM
"LTWJi"	Beijing Leitingwuji Network Technology Company Limited (北京雷霆無極網絡科技有限公司), a company established under the laws of the PRC with limited liability on 31 July 2002
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Morgan Stanley"	Morgan Stanley Dean Witter Asia Limited, which is licensed for Type 1 regulated activity (dealing with securities) and Type 6 regulated activity (advising on corporate finance) under the SFO
"NASDAQ"	the NASDAQ National Market in the US
"Offer Price"	the final price per Offer Share (exclusive of brokerage, SFC transaction levy, investor compensation levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined in the manner to be set out in the Prospectus
"Offer Shares"	the new TOM Online Shares to be offered for subscription under the Global Offering

"Option"	a right to subscribe for TOM Online Shares pursuant to the terms of the Pre-IPO Share Option Plan or the Share Option Scheme (as the case may be)
"Over-allotment Option"	the option expected to be granted by TOM Online to the Joint Global Coordinators, to require TOM Online to issue up to a certain number of additional TOM Online Shares (which may be deliverable in the form of a corresponding number of ADSs) at the Offer Price in connection with over-allocations in the International Offering
"Overseas Shareholders"	Shareholders whose addresses on the register of members of the Company at the close of business on the Record Date are outside of Hong Kong
"PRC"	the People's Republic of China excluding, for the purposes of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Preferential Offer"	the proposed preferential offering to the Qualifying Shareholders for subscription of the Reserved Shares at the Offer Price, on and subject to the terms and conditions as described in the section headed "Assured Entitlements" in the letter from the Board set out in this circular and to be further described and set out in the Prospectus and the blue application form relating thereto
"Pre-IPO Share Option Plan"	the pre-IPO share option plan conditionally adopted by TOM Online on 12 February 2004, the principal terms and conditions of which are summarised in section 2 of Appendix IV
"Proposed Spin-Off"	the proposed spin-off and separate listing of TOM Online Shares on GEM and separate quotation of ADSs on NASDAQ, as referred to in the letter from the Board in this circular under the paragraph "The Proposed Spin-Off"
"Prospectus"	the prospectus to be issued by TOM Online in relation to the Hong Kong Public Offer and the Preferential Offer
"Puccini"	Puccini International Limited, a company incorporated in the Cayman Islands with limited liability on 13 March 2000 and a wholly-owned subsidiary of TOM Online as at the Latest Practicable Date
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than Overseas Shareholders

"Record Date"	Tuesday, 24 February 2004, being the record date for ascertaining the Assured Entitlements (as announced by the Company on Monday, 9 February 2004 and as described in the section headed "Closure of Register of Members" in the letter from the Board set out in this circular)
"Regulation S"	Regulation S under the US Securities Act
"Remaining TOM Group"	the Group excluding the TOM Online Group
"Reorganisation"	the reorganisation of the businesses and operations transferred to TOM Online, as described under the paragraph "Reorganisation overview" in the section headed "The Proposed Spin-Off" and further described in the section headed "The Reorganisation" in the letter from the Board set out in this circular
"Reserved Shares"	the TOM Online Shares (representing approximately 3.9% of the total number of Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option)) being offered for subscription pursuant to the Preferential Offer as part of the Global Offering
"RMB"	Renminbi, the lawful currency of the PRC
"Rothschild"	N M Rothschild & Sons (Hong Kong) Limited, an authorised financial institution deemed to have been registered under section 119(1) of the SFO for Types 1, 4, 6 and 9 regulated activities from 1 April 2003 (previously an investment adviser registered with the Securities and Futures Commission) and the independent financial adviser to the Shareholders in respect of the Proposed Spin-Off and to the Independent Board Committee in respect of the Continuing Connected Transactions
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holders of the Shares
"Share Option Scheme"	the share option scheme conditionally adopted by TOM Online on 12 February 2004, the principal terms and conditions of which are summarised in section 1 of Appendix IV

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Tenancy Agreements"	(a) three tenancy agreements, as amended by their respective conditional supplemental agreements dated 13 February 2004 between certain members of the Group and Beijing Oriental and (b) a new tenancy agreement dated 13 February 2004 between LTWJi and Beijing Oriental for the lease of certain premises in Beijing Oriental Plaza which will constitute connected transactions under the GEM Listing Rules, as described in the section headed "Proposed Continuing Connected Transactions" in the letter from the Board set out in this circular
"TOM.COM (China)"	TOM.COM (China) Investment Limited (諾定(中國)投資有限公司), a company established under the laws of the PRC and both a wholly-owned subsidiary of the Company and a member of the TOM Online Group
"TOM.COM INTERNATIONAL"	TOM.COM INTERNATIONAL LIMITED, a company incorporated in Hong Kong on 26 May 1999, which is wholly-owned by the Company
"TOM Online"	TOM Online Inc., an exempted company incorporated in the Cayman Islands with limited liability on 28 August 2001, which is currently wholly-owned by the Company
"TOM Online Board"	the board of directors of TOM Online
"TOM Online Group"	TOM Online and its subsidiaries
"TOM Online Continuing Connected Transactions"	certain transactions between the Remaining TOM Group and the TOM Online Group which will constitute connected transactions under the GEM Listing Rules following completion of the Proposed Spin-Off, as described in the section headed "Proposed Continuing Connected Transactions" in the letter from the Board set out in this circular
"TOM Online Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of TOM Online
"US GAAP"	accounting principles generally accepted in the United States
"United States" or "US"	the United States of America
"US SEC"	the Securities and Exchange Commission of the United States
"US Securities Act"	the US Securities Act of 1933, as amended
"US$"	US dollars, the lawful currency of the United States

TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

Directors:
Frank Sixt* *(Chairman)*
Sing Wang *(Chief Executive Officer)*
Tommei Tong
Henry Cheong#
Angelina Lee#
Anna Wu#
Debbie Chang*
Susan Chow*
Edmond Ip*
Holger Kluge*
James Sha*
Wang Lei Lei*

* *Non-executive Directors*
\# *Independent non-executive Directors*

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and principal place of business:
48th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

14 February 2004

To the Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION INVOLVING THE PROPOSED SPIN-OFF AND SEPARATE LISTINGS OF TOM ONLINE INC. ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE NASDAQ NATIONAL MARKET, CONTINUING CONNECTED TRANSACTIONS, PRE-IPO SHARE OPTION PLAN AND SHARE OPTION SCHEME OF TOM ONLINE INC., GRANT OF OPTIONS TO AN INDIVIDUAL IN EXCESS OF ONE PER CENT. OF ISSUED SHARE CAPITAL OF TOM ONLINE INC. AND REFRESHMENT OF 10 PER CENT. LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME OF TOM ONLINE INC.

INTRODUCTION

The Board announced on 24 December 2003 that the Stock Exchange had, on 19 December 2003, granted conditional approval for the Company to proceed with the Proposed Spin-Off. In addition, the Board also announced that a formal application had been made to the Stock Exchange on 24 December 2003 for the separate listing of, and permission to deal in, the TOM Online Shares in issue and to be issued pursuant to the Global Offering on GEM. As explained in this circular, the Board considers that the Proposed Spin-Off is in the interests of the Company and the Shareholders.

The approval of the Stock Exchange for the Proposed Spin-Off is conditional upon:

(1) the provision to Shareholders of assured entitlements to TOM Online Shares, either by way of a dividend in specie of existing TOM Online Shares or by way of preferred application in any offering of existing or new TOM Online Shares; and

(2) the publication of an announcement on the proposed listing of TOM Online.

The Company satisfied condition (2) by its announcement dated 24 December 2003 in which it confirmed that assured entitlements would be provided by way of preferred application in an offering of TOM Online Shares and will satisfy condition (1) by the making of the Preferential Offer as part of the Global Offering.

The Company will continue to be listed on GEM and TOM Online will continue to be a subsidiary of the Company following the implementation of the Proposed Spin-Off.

TOM Online is a "major subsidiary" of the Group for the purpose of the GEM Listing Rules. If the Proposed Spin-Off proceeds, it is expected to result in a material dilution of the Company's interest in TOM Online under Rule 17.39 of the GEM Listing Rules. The Proposed Spin-Off is also expected to constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules. As such, the Proposed Spin-Off is subject to the approval of the Shareholders (other than any Shareholder who is interested in the Proposed Spin-Off and who will be required to abstain from voting on the relevant resolution) under Rule 17.39 and Chapter 19 of the GEM Listing Rules.

The Company has agreed with the Stock Exchange to apply the principles of Practice Note 15 of the Main Board Listing Rules to the Proposed Spin-Off.

As the interests of all Shareholders (including the controlling Shareholders) in relation to the Proposed Spin-Off are not different, all Shareholders are entitled to vote on the Proposed Spin-Off. However, as Cranwood will be receiving TOM Online Shares (in the form of the Initial Consideration Shares) prior to the Global Offering as part of the consideration for its sale of Puccini to TOM Online (as disclosed in the Company's circular dated 3 November 2003), Cranwood has indicated to the Company that it and its Associates will abstain from voting on the Proposed Spin-Off.

As described in the section headed "Proposed Continuing Connected Transactions" below, certain proposed arrangements between the Remaining TOM Group and the TOM Online Group will constitute connected transactions of the Company under the GEM Listing Rules following completion of the Proposed Spin-Off. In addition, (a) certain members of the Group have entered into certain conditional supplemental tenancy agreements dated 13 February 2004, and (b) LTWJi has entered into a new tenancy agreement dated 13 February 2004, with Beijing Oriental for the lease of certain premises in Beijing Oriental Plaza which are also described in the section headed "Proposed Continuing Connected Transactions". Beijing Oriental is a connected person of the Company by virtue of it being an Associate of Cheung Kong. The Continuing Connected Transactions are conditional on the approval by the Independent Shareholders at the EGM. As required under Rule 20.40 of the GEM Listing Rules, the vote at the EGM in respect of the Continuing Connected Transactions will be taken by poll.

TOM Online has conditionally adopted the Pre-IPO Share Option Plan and the Share Option Scheme. However, the approval of the Shareholders at the EGM is also required for the Pre-IPO Share Option Plan and the Share Option Scheme.

The TOM Online Board proposes to grant Options under the Pre-IPO Share Option Plan to Mr. Wang Lei Lei (the chief executive officer of TOM Online) which will represent more than one per cent. of the total issued TOM Online Shares. This grant of Options under the Pre-IPO Share Option Plan to Mr. Wang Lei Lei will be subject to the approval by the independent non-executive Directors. In addition, this grant to Mr. Wang Lei Lei is subject to the approval of the Shareholders (other than Mr. Wang and his Associates who are required to abstain from voting on such resolution) at the EGM.

In addition, the Company wishes to use this opportunity to refresh the 10 per cent. limit of the total number of TOM Online Shares which may be issued under the Share Option Scheme and any other schemes of TOM Online which may be adopted in the future. This refreshment is also subject to the approval of the Shareholders at the EGM.

Rothschild has been appointed as the independent financial adviser to advise the Shareholders on the Proposed Spin-Off. The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions. In this regard, Rothschild has also been appointed by the Company as the independent financial adviser to advise the Independent Board Committee. The letter of advice from Rothschild is set out on pages 56 to 71 of this circular.

The purposes of this circular are:

(i) to provide Shareholders with information on (a) the background to, the reasons for, and the benefits and effects of, the Proposed Spin-Off and such other information relating to the Proposed Spin-Off as is required by the GEM Listing Rules for a possible major transaction of the Company; (b) the Continuing Connected Transactions; (c) the Preferential Offer; (d) the Pre-IPO Share Option Plan and the Share Option Scheme; (e) the grant of Options under the Pre-IPO Share Option Plan representing more than one per cent. of the total issued TOM Online Shares to Mr. Wang Lei Lei; and (f) the refreshment of the 10 per cent. limit of the total number of TOM Online Shares to be issued under the Share Option Scheme and any other schemes of TOM Online;

(ii) to provide the Independent Shareholders with the recommendation and opinion of the Independent Board Committee in relation to the Continuing Connected Transactions;

(iii) to set out the letter of advice from Rothschild which contains its recommendation to Shareholders as regards voting on the Proposed Spin-Off and its recommendation to the Independent Board Committee in relation to the terms of the Continuing Connected Transactions; and

(iv) to give notice of the EGM at which ordinary resolutions will be proposed to approve (a) the Proposed Spin-Off, (b) the Continuing Connected Transactions, (c) the Pre-IPO Share Option Plan and the Share Option Scheme, (d) the grant of Options under the Pre-IPO Share Option Plan representing more than one per cent. of the total issued TOM Online Shares to Mr. Wang Lei Lei and (e) the refreshment of the 10 per cent. limit of the total number of TOM Online Shares to be issued under the Share Option Scheme and any other schemes of TOM Online.

THE PROPOSED SPIN-OFF

1. The Proposed Spin-Off

The exact structure of the Proposed Spin-Off will be decided by the Board, but at present it is proposed to be effected by way of Global Offering of new TOM Online Shares which will comprise the Hong Kong Public Offer and the International Offering, and will be accompanied by a separate listing of

TOM Online Shares on GEM and a separate quotation of ADSs on NASDAQ. The Global Offering will also include a preferential offering of Reserved Shares to Qualifying Shareholders as described in the section headed "Assured Entitlements" below (and as to be further described in the Prospectus).

It is presently expected that at least 25% of the then enlarged issued capital of TOM Online as at the Listing Date will be made available under the Global Offering. Details of the Global Offering (including the exact size of the Global Offering and the exact apportionment between the Hong Kong Public Offer and the International Offering) are yet to be finally determined. If the Proposed Spin-Off proceeds, pursuant to the terms of the Puccini acquisition, TOM Online will allot and issue such number of new TOM Online Shares representing the sum of US$18.5 million at the Offer Price to Cranwood prior to the Listing Date in order to satisfy the initial consideration for the acquisition of Puccini. The terms of the acquisition of Puccini were disclosed in the Company's circular to Shareholders dated 3 November 2003 and were approved by Shareholders at an extraordinary general meeting of the Company held on 19 November 2003. Please refer to the section headed "The Reorganisation" for further information on the Puccini acquisition. The Initial Consideration Shares to be issued to Cranwood will not form part of the Global Offering. Upon the successful conclusion of the Global Offering, TOM Online Shares will be listed on GEM and ADSs representing TOM Online Shares will be quoted on NASDAQ. It is expected that the Group's percentage interest in the share capital of TOM Online will be reduced from the current level of 100% to the range of approximately 71.0% to 71.8% immediately following the Global Offering (without taking into account any exercise of the Over-allotment Option) because of dilution as a result of the Global Offering and the issue of TOM Online Shares in order to satisfy the initial consideration for the acquisition of Puccini as mentioned in the section headed "The Reorganisation" below. Such percentage interest may be further reduced upon the exercise of the Over-allotment Option and any Options granted or to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

As the Offer Price for TOM Online Shares is yet to be determined, Shareholders should also note that information and calculations appearing in this circular relating to the potential financial effects of the Proposed Spin-Off are based on certain assumptions which may or may not materialize and are included for illustration purposes only. The Offer Price will be determined at a time closer to the Listing Date with reference to, inter alia, the then market conditions and estimated market demand for the TOM Online Shares and/or ADSs. The indicative price range per ADS to be offered under the International Offering is expected to be made available by way of an announcement on the GEM website on or about Monday, 23 February 2004 (Hong Kong time).

Shareholders should note that the Board reserves the right not to proceed with the Proposed Spin-Off if the Board considers, for any reason including, without limitation, the proposed Offer Price and/or the market conditions at the relevant time, that the Proposed Spin-Off should not proceed. Furthermore, there can be no assurance that the approval for the listing of, and permission to deal in, all the TOM Online Shares in issue and to be issued under the Global Offering on GEM will be granted by the GEM Listing Committee.

The Proposed Spin-Off and the Global Offering is conditional upon the satisfaction of certain conditions as set out in paragraph 11 below. If any of these conditions are not fulfilled or waived (if applicable) prior to the dates and times to be specified, the Global Offering will lapse and the Proposed Spin-Off and the Global Offering will not proceed.

Further announcements will be made by the Company as and when appropriate to keep Shareholders informed of material developments in relation to the Proposed Spin-Off.

SHAREHOLDERS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES. THERE IS NO ASSURANCE THAT THE PROPOSED SPIN-OFF WILL BE COMPLETED SUCCESSFULLY OR AT ALL.

2. Separate listings of TOM Online Shares

The Shares will continue to be listed on GEM after the implementation of the Proposed Spin-Off. The listing of the TOM Online Shares on GEM and the inclusion of ADSs for quotation on NASDAQ are conditional upon the conditions stated in paragraph 11 below.

An application was made to the Stock Exchange on 24 December 2003 for the listing of, and permission to deal in, the TOM Online Shares in issue and any new TOM Online Shares to be issued as will be set out in the Prospectus.

Subject to the granting of the listing of, and permission to deal in, TOM Online Shares on GEM as well as compliance with the stock admission requirements of Hong Kong Clearing, the TOM Online Shares will be accepted as eligible securities by Hong Kong Clearing for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by Hong Kong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

3. Reorganisation overview

In anticipation of the Proposed Spin-Off, the TOM Online Group was formed in September 2003 pursuant to a corporate reorganisation of the Group which resulted in the transfer of a significant part of the Company's online media division to TOM Online. TOM Online, a wholly-owned subsidiary of the Company which was incorporated on 28 August 2001 under the laws of the Cayman Islands, did not have any material assets or business operations until shortly before this Reorganisation.

Prior to the Reorganisation, the Company's online media division consisted of twenty-five entities as follows:

(i) Core Internet business entities: nine entities providing a wide range of Internet services, wireless value-added services, online advertising and commercial enterprises solutions in the PRC.

(ii) Non-core Internet business entities: six entities that conducted certain portal and advertising businesses in the PRC. Most of their operations have been integrated with or moved to the core Internet business entities.

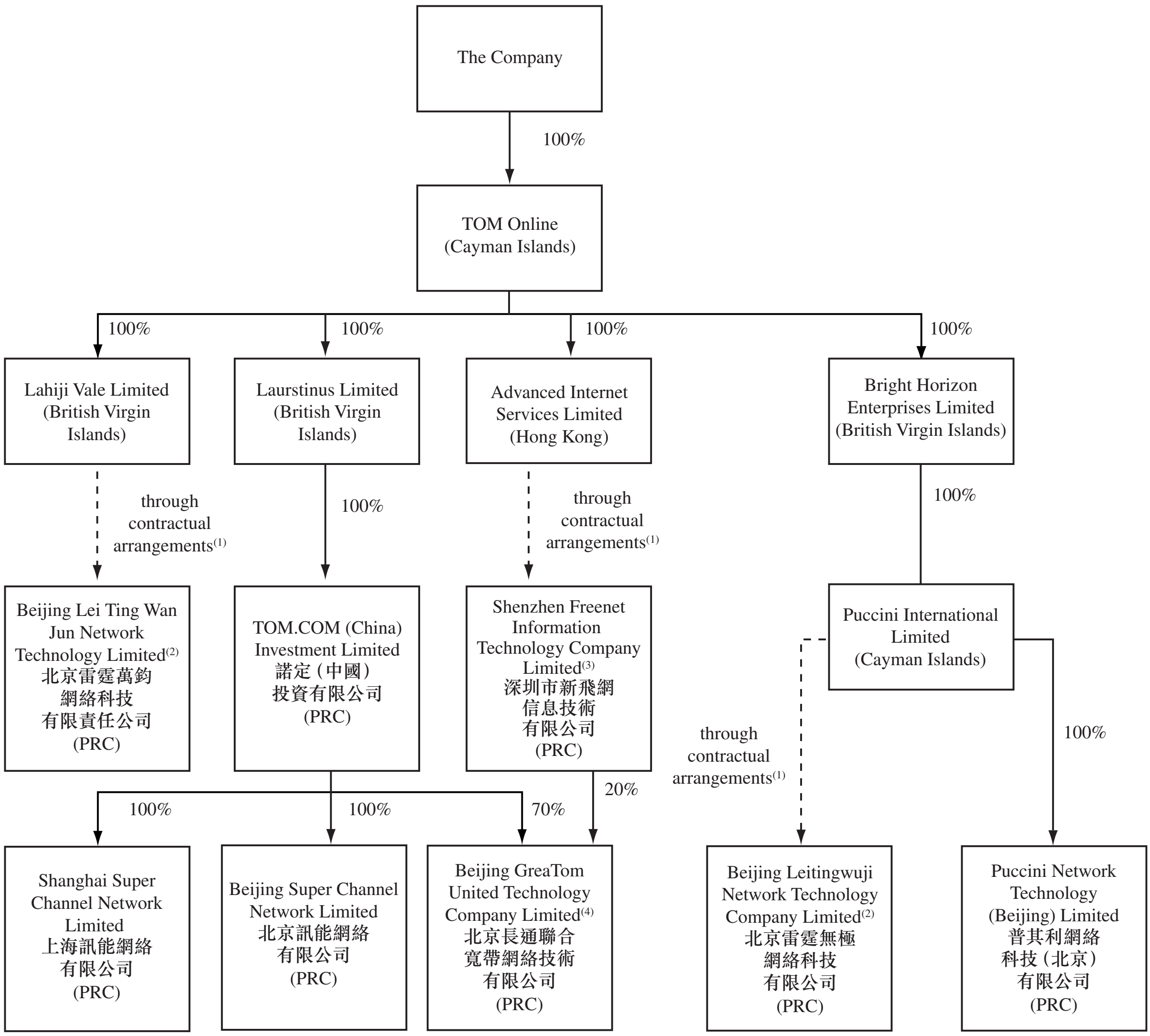
(iii) Excluded business entities (the "Excluded Businesses"): ten entities which are engaged in either non-portal business within the PRC, online business outside the PRC or are passive investments of the Company.

The Reorganisation involved the transfer to TOM Online by the Company of its interests in its nine core Internet business entities. For further details of these entities, the other entities within the Company's online media division and the Reorganisation, see the section headed "The Reorganisation" below.

In addition, on 19 November 2003, TOM Online acquired Puccini from Cranwood. Puccini provides wireless interactive voice response ("IVR") services through LTWJi. Further details of the companies in the TOM Online Group which were acquired pursuant to the Puccini acquisition are also set out in the section headed "The Reorganisation" below.

Following the Reorganisation and the acquisition of Puccini, the corporate structure of TOM Online consists of fourteen entities, which include the nine core Internet business entities of the online media division of the Company.

The structure of the TOM Online Group upon completion of the Reorganisation and the acquisition of Puccini, but before the issue of the Initial Consideration Shares to Cranwood and the implementation of the Proposed Spin-Off is as follows:



(1) TOM Online does not have any direct equity interests in Beijing Lei Ting, Shenzhen Freenet or LTWJi. Through certain of its subsidiaries, TOM Online has entered into a series of contractual arrangements with each of these entities and their respective shareholders to enable it to enjoy the economic benefit in such entities.

(2) Mr. Wang Lei Lei, a non-executive Director of the Company and the chief executive officer and an executive director of TOM Online, owns 20% and 80% of the equity interest in Beijing Lei Ting and LTWJi respectively. He is also the chairman of the board of directors and president of Beijing Lei Ting. Ms. Wang Xiu Ling* owns 80% and 20% of the equity interest in Beijing Lei Ting and LTWJi, respectively. Ms. Wang Xiu Ling* is not related to Mr. Wang Lei Lei.

(3) Ms. Wang Xiu Ling* and Mr. Sheng Yong# own 70% and 30% of the equity interest in Shenzhen Freenet, respectively.

* Ms. Wang Xiu Ling is independent of the Group being neither an employee of the Remaining TOM Group nor the TOM Online Group nor related to the senior management of the Remaining TOM Group or the TOM Online Group.

\# Mr. Sheng Yong is an employee of the TOM Online Group.

(4) The remaining 10% equity interest in GreaTom is held by Great Wall Technology Company Ltd., a PRC company whose shares are listed on the main board of the Stock Exchange.

4. Information on the TOM Online Group

TOM Online is one of the leading Internet companies in the PRC, providing value-added multimedia products and services. TOM Online delivers its products and services from its Internet portal to its users through their mobile phones and through its websites. TOM Online's primary business activities include the provision of wireless value-added services, online advertising and commercial enterprise solutions.

TOM Online's Internet portal is the foundation for its primary business activities. TOM Online provides content, products and services through the Internet and wireless communications networks. TOM Online launched its Internet portal in July 2000 and has since focused on the development and the provision of content products and services to users. This content, which is both developed in-house and obtained from third party content providers, is edited, redesigned and repackaged through TOM Online's content management system for its different products and services.

(i) Wireless value-added services

TOM Online's wireless value-added services include both wireless data services and wireless IVR services.

(a) Wireless data services

TOM Online began providing wireless data services in the second half of 2001. TOM Online's wireless data services include short messaging services ("SMS"), multimedia messaging services ("MMS") and wireless access protocol ("WAP") services. Through these services, TOM Online provides download, information and community-oriented products, such as news headlines, sports news, games, ring tones, ring back tones, dating and wallpapers. Users pay for TOM Online's wireless data services on either a monthly subscription or a per message basis. TOM Online provides its wireless data services to users in the PRC through China Mobile's Monternet platform and China Unicom's UNI-Info platform, and it shares revenues from these services with China Mobile and China Unicom. TOM Online was one of the first wireless data service providers to jointly develop and launch MMS and WAP services with China Mobile.

(b) Wireless IVR services

On 19 November 2003, TOM Online acquired the entire issued share capital of Puccini, which provides wireless IVR services through LTWJi. Wireless IVR services are a new category of wireless value-added service that allow users to access pre-recorded information from their mobile phones and to interact with other users through chat and dating services. This acquisition is expected to create synergies between TOM Online's wireless data services and LTWJi's wireless IVR services. Following this acquisition, TOM Online is one of the few Internet portal companies in the PRC that provides wireless IVR services. For a description of the terms of the acquisition of Puccini and a discussion of LTWJi's business, please refer to the Company's circular to Shareholders dated 3 November 2003.

(ii) Online advertising

TOM Online's online advertising services, which it has been offering since 2001, consist of placing advertisements on its websites in various forms, such as banners, link logos and pop-up boxes. As TOM Online provides various free online services on its websites and since users access its wireless data services through its websites, the user traffic on its websites have increased, which makes TOM Online's online advertising services more attractive to its clients. Prior to the Reorganisation, TOM Online's offline advertising business accounted for the majority of its advertising revenue, but following the Reorganisation, most of TOM Online's offline advertising business is no longer part of the TOM Online Group.

At the beginning of 2003, TOM Online began increasing its focus on developing its online advertising business. As TOM Online's wireless value-added services target young and trendy users, TOM Online believes that it is able to attract companies in industries that cater to the younger and more affluent market to advertise on its websites. In addition, TOM Online has established relationships with several leading advertising agencies to promote and market its online advertising services to their clients. TOM Online will continue to engage in offline advertising activities only to the extent that they are bundled with online advertising as it is not in TOM Online's commercial interests to, and accordingly it will not, turn away customers' requests for the bundling of offline advertising with online advertising services. TOM Online will outsource any offline advertising related services to the Remaining TOM Group through the media services agreement (as described under the section headed "Proposed Continuing Connected Transactions" below) or to third parties.

(iii) Commercial enterprise solutions

TOM Online's commercial enterprise solutions, which it has been operating since 2001, provides technical and consulting services to cater to the Internet-related computer hardware and software needs of its clients. TOM Online provides its clients with integrated enterprise solutions in the areas of web design and maintenance, online advertising management systems, server hosting, billing and management systems, e-commerce and fee-based e-mail. As part of its integrated enterprise solutions, TOM Online offers its client various services, including assessment of computer hardware and software requirements, purchase and installation of computer hardware and software, development and integration of software applications and maintenance of such hardware and software.

TOM Online's commercial enterprise solutions leverage its expertise in internet and wireless value-added services by offering business system solutions to corporate and government entities. TOM Online helps its clients employ wireless data services, such as SMS, to improve their internal and external communication systems. TOM Online's clients can also use its solutions to implement customer service systems, which enable them to promote their products and provide timely information and updates to their customers through wireless data services.

5. Information on the Remaining TOM Group

The Company is a leading Chinese language cross-media company in Greater China distributing its content and services through the following distribution platforms:

(i) Internet;

(ii) publishing (print media);

(iii) outdoor media; and

(iv) sports and entertainment.

These distribution platforms are currently operated by the following divisions of the Company:

- *The Online Media Division* – operates the Internet distribution platform which primarily consists of the business operations of the TOM Online Group (as described above).

- *The Publishing Division* – one of the leading publishers in Greater China, consisting of magazine and book publishing, sales of print advertising and other related products in the PRC, Hong Kong and Taiwan, with over 50 magazines with total circulation of 70 million copies and 18,000 book titles with 15 million books published annually.

- *The Outdoor Media Division* – consisting of one of the PRC's largest outdoor media networks (comprising billboards, bus stands, bicycle stands, taxi stands, lightboxes and unipoles, with over 190,000 square metres of advertising space on 10,000 units in 5,000 prime locations across PRC) and a leading outdoor advertising company in the PRC.

- *The Sports & Entertainment Division* – consisting of event organization, advertising and sponsorship sales, sports television programme production and syndication, audio and video products distribution and television broadcasting operations in the PRC and Hong Kong, it is the PRC's largest domestic sports marketing company with TV programmes syndicated over 50 TV channels, 25 million average daily viewership and 20 million audio-visual products distributed annually.

After the Proposed Spin-Off, the Remaining TOM Group will continue to focus on the publishing (print media), outdoor media and sports and entertainment businesses, together with the Excluded Businesses which are engaged in Internet related activities (see also "Relationship of the TOM Online Group with the Remaining TOM Group" in paragraph 9 below), while the TOM Online Group will continue to focus on the Internet business primarily in the PRC at this time.

The Directors consider that, with the separate listing of TOM Online, the resources of the Group, including management time, cash and otherwise, can be dedicated entirely to the growth and development of the businesses of the Remaining TOM Group, but at the same time still benefit from its majority shareholding in TOM Online. For further details see "Reasons for and benefits of the Proposed Spin-off" in paragraph 7 below.

6. Intended use of proceeds

TOM Online intends to use the anticipated net proceeds from the Global Offering for the following purposes:

- for enhancing and expanding TOM Online's content and applications for wireless value-added services;

- for research and development of new technologies and future upgrading of TOM Online's existing technologies and infrastructure;

- for sales and marketing activities;

- for a portion of any contingent payments owed in connection with the acquisition of Puccini (however, if at the time of such payments, TOM Online has sufficient internal or other resources, all or a portion of such payments may be satisfied by such resources);

- for funding future potential acquisitions and strategic alliances in the wireless value-added services, content and Internet industries in the PRC, although no material future potential acquisitions or strategic investments are pending; and

- any remaining amounts for general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes, TOM Online intends to use them for its working capital, to purchase US Treasury debt securities and other short-term investment grade debt securities or to deposit the proceeds into interest-bearing bank accounts. In the event that there are any material changes or modifications to the use of proceeds, an appropriate announcement will be made by TOM Online.

7. Reasons for and benefits of the Proposed Spin-Off

The Board believes that the Proposed Spin-Off will bring a number of benefits to both the Company and TOM Online. The Company will be able to realise the value of its investment in the businesses of TOM Online, return value to its Shareholders in the form of more liquid securities, as well as allow the Company to focus on developing its other core businesses.

The benefits of the Proposed Spin-Off to the Company include:

- enhancing the Group's financing flexibility, as the Group has experienced rapid expansion from organic growth and acquisitions and such expansion is expected to continue;

- enhancing the net tangible asset value and gearing position of the Group;

- enabling the management team of the Company to be more focused on building its cross-media platform, enhancing the decision-making process and its responsiveness to market changes;

- allowing the Company and its Shareholders to realise its investment in TOM Online;

- strengthening the management structure and corporate governance of the Group as a whole and better facilitation of the Group's expansion; and

- improving the operational and financial transparency of TOM Online and providing investors, the investment market and rating agencies with greater clarity on the businesses and financial status of the Company and TOM Online.

The benefits of the Proposed Spin-Off to TOM Online include:

- providing investors with an opportunity to value TOM Online as a pure Internet company and to invest separately in TOM Online;

- allowing TOM Online to establish its own shareholder base;

- providing TOM Online with added flexibility in funding its operations and capital expenditures, giving TOM Online the ability to tailor its capital structure to meet its business funding requirements and greater access to capital markets as a stand-alone entity;

- providing incentives to management and staff of the TOM Online Group to develop its business by making the performance of its business operations more transparent through the separate bench-marking from the stock performance of TOM Online Shares and linking part of its management's remuneration to its performance through share options;

- enabling the management team of TOM Online to be more focused on its business, enhancing the decision-making process and its responsiveness to market changes; and

- enhancing the profile of TOM Online, which may improve TOM Online's ability to attract and retain highly qualified professionals in its business.

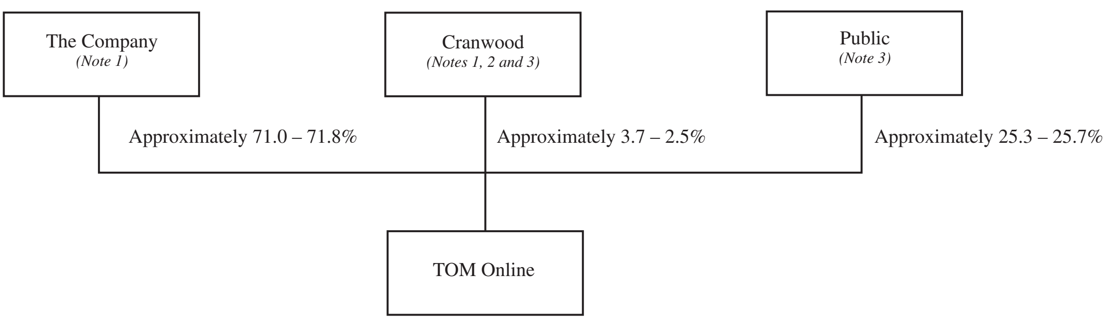
8. Effects of the Proposed Spin-Off

(i) Shareholding structure as at the Latest Practicable Date

As at the Latest Practicable Date, TOM Online is a wholly-owned subsidiary of the Company.

(ii) Proposed shareholding structure after the Proposed Spin-Off

A simplified shareholding structure of TOM Online immediately following completion of the Proposed Spin-Off (taking into account the issue of the Initial Consideration Shares to Cranwood and assuming that the Over-allotment Option is not exercised, but without taking into account any TOM Online Shares which may be taken up as Assured Entitlements) is set out as follows:



Notes:

1. Following determination of the Offer Price and prior to the Listing Date, in order to satisfy the initial consideration for the acquisition of Puccini, TOM Online will issue and allot new TOM Online Shares representing the sum of US$18.5 million at the Offer Price to Cranwood. The range of the number of Initial Consideration Shares to be issued by TOM Online to Cranwood as set out in the corporate chart above is calculated on the basis of the preliminary estimated gross proceeds and net proceeds to be in the range of approximately HK$1,000 million to HK$1,460 million and approximately HK$840 million to HK$1,260 million, respectively for the Proposed Spin-Off.

2. Cranwood is deemed to be a management shareholder. Accordingly, it is an initial management shareholder under the GEM Listing Rules and will also be a connected person of TOM Online from the Listing Date.

3. The minimum prescribed percentage of TOM Online Shares in public hands immediately following completion of the Global Offering (being 25% if TOM Online's market capitalisation at the time of listing is less than HK$4,000 million, and the higher of (i) the percentage that would result in the market value of the securities to be in public hands equal to HK$1,000 million (at the time of listing) and (ii) 20%, if it is more than HK$4,000 million) and this will include the TOM Online Shares issued to investors who subscribe for new TOM Online Shares pursuant to the Global Offering, but this will not include the Initial Consideration Shares or any other TOM Online Shares held by Cranwood. For the purposes of calculating the percentage of TOM Online's share capital in public hands under Rule 11.23(1), Cranwood will not be a member of "the public" immediately following completion of the Global Offering because it is an initial management shareholder.

(iii) Hong Kong stamp duty

Under current legislation, the implementation of the Proposed Spin-Off, of itself, does not attract any Hong Kong stamp duty for Shareholders.

Dealings in TOM Online Shares will be subject to Hong Kong stamp duty.

(iv) General

In view of the individual circumstances of each Shareholder, it is inappropriate and impracticable for the Board to advise the Shareholders on their tax position. Shareholders are recommended to consult their own professional advisers as to the taxation implications of the Proposed Spin-Off. It is emphasized that none of the Company, TOM Online or their respective professional advisers or any other parties involved in the Proposed Spin-Off or their respective directors will accept any responsibility for any tax effect on, or liabilities of, the Shareholders.

9. Relationship of the TOM Online Group with the Remaining TOM Group

Following the Proposed Spin-Off, TOM Online will continue to be a subsidiary of the Company. There will be a clear delineation between the businesses of the Remaining TOM Group and the TOM Online Group. The TOM Online Group focuses on the provision of content, products and services through the Internet and wireless communications networks while the Company focuses its business in being a Greater China-based cross-media company. The TOM Online Group will function independently of the Remaining TOM Group with respect to its businesses and operations, directorship and management.

After the listing of TOM Online on GEM, certain entities of the Remaining TOM Group will continue to operate websites and provide wireless value-added services and online advertising outside the PRC which are ancillary to the business of the Company (i.e. they serve to enhance the divisions of the Remaining TOM Group and/or are for informational purposes only). The revenues derived from the provision of such services are insignificant. The Company will enter into a deed of non-competition with TOM Online to ensure the clear delineation of their respective businesses as described in the section headed "Non-competition undertakings" below.

We set out below a brief discussion on the delineation of business between those of the TOM Online Group and the Remaining TOM Group and areas of businesses of the TOM Online Group and of the Remaining TOM Group where there may be competition.

- *Wireless Value-Added Services.* The Remaining TOM Group does not provide any wireless value-added services in the PRC and only has insignificant wireless value-added services outside the PRC which are ancillary to its Publishing Division in Taiwan. Pursuant to the terms of the deed of non-competition, the Remaining TOM Group will not engage in such business in the PRC in the future. Please refer to the paragraph headed "Non-competition undertakings" below. The Remaining TOM Group can provide Internet-related services including wireless value-added services in Hong Kong through its Hong Kong Portal. The TOM Online Group's wireless value-added services include SMS, MMS, and WAP services through which it provides a variety of download, information and community-oriented products such as news headlines, games, dating and ring tones. As TOM Online delivers its products and services to users in the PRC through the networks of mobile telecommunications operators, China Mobile and China Unicom, and it relies upon the mobile telecommunications operators to bill and collect payment for the products and services it provides from their mobile phone subscribers, its wireless value-added services can only be utilized by users who subscribe to the mobile phone services of the mobile telecommunications operators in the PRC. Therefore, if the businesses retained by the Remaining TOM Group were to start offering wireless value-added services outside of the PRC, the Remaining TOM Group would be unable to bill and collect any payment from mobile phone users in the PRC, thus creating a natural geographic delineation (that is, it would be difficult for the Remaining TOM Group to offer such services to TOM Online's customers in the PRC). Further, the addresses for TOM Online's websites and the Hong Kong Portal are different and supported by different servers.

- *Online Advertising.* Both the Remaining TOM Group and the TOM Online Group engage in the advertising business but will focus on separate advertising revenue streams. The Remaining TOM Group will focus on traditional forms of advertising, such as publishing, broadcasting, event management and outdoor media, as well as agency business. The TOM Online Group will focus on online advertising in the PRC, such as banners, links logos, and pop-up boxes. Occasionally, the Company's traditional advertising clients may request online advertising services as part of larger integrated marketing campaigns which involve both offline and online media but the Company's sales efforts will be focused on the provision of traditional advertising services and its online advertising business will remain ancillary to that focus. After the completion of the Global Offering, the Company will continue to provide online advertising services primarily in Hong Kong and Taiwan as part of a larger integrated advertising solution and the revenues that the Company may earn from such online business will be limited under the deed of non-competition to be entered into between TOM Online and the Company (see "Non-competition undertakings"). Requests by such clients to provide online advertising services in the PRC will be referred to either TOM Online on a non-exclusive basis pursuant to the online media services agreement (see "Proposed Continuing Connected Transactions") or to third parties.

For the nine months ended 30 September 2003, such online advertising services accounted for less than 0.2% of the total revenue of the businesses retained by the Company. For the same period, TOM Online's online advertising revenues accounted for about 2.5% of the total revenue of the TOM Online Group and accounted for approximately 86% of the online advertising revenue of the Group. In connection with the Proposed Spin-Off, the Company will provide an undertaking to TOM Online that the Company will not engage in online activities that compete with TOM Online's existing business which results in the revenue generated from such online activities in aggregate to exceed 5% of the revenue of the Company in any financial year. Please refer to the paragraph headed "Non-competition undertakings" below.

- *Commercial Enterprise Solutions.* The businesses retained by the Company do not engage in commercial enterprise solutions.

- *Hong Kong Portal.* The Hong Kong Portal was created at the time of the Company's listing on GEM in 2000 and the operation of the portal has reduced over the years such that its current functions are to provide information and to enhance other revenue-generating businesses of the Group, rather than to generate revenues of its own. TOM Online's principal website, www.tom.com, and the Company's website, hk.tom.com, are clearly delineated. Both websites have different design and layout and offer different content and services. For example, TOM Online's websites offers online shopping, wireless value-added services, music download, chat rooms and weblogs, which are not being provided on the Hong Kong Portal. Instead the Hong Kong Portal provides infotainment, community and news portal, and content rich channels. The Company does not intend to actively further develop the Hong Kong Portal for commercial activities but only for the purposes of providing information and enhancing other businesses of the Remaining TOM Group. Pursuant to the deed of non-compete, the Company will grant TOM Online a call option exercisable within 3 years from the Listing Date which would allow TOM Online to acquire the Hong Kong Portal at a fair market value to be determined by an independent valuer appointed by TOM Online and the Company at the time of TOM Online's exercise of the option. The revenue generated from the Hong Kong Portal was HK$1.25 million for the six months ended 30 June 2003, consisting only of online advertising revenue and representing approximately 0.2% of the then total revenue of the Group.

- *The Company's operation of websites.* Certain entities of the Company operate websites and some of these websites offer wireless value-added services outside the PRC (such as ringtone download services), which cannot be utilized by persons who subscribe to the mobile phone services of the mobile telecommunications operators in the PRC, as discussed in the paragraph entitled "Wireless Value-Added Services" above, and online advertising (for information on online advertising provided by the Company, please refer to the paragraph entitled "Online advertising" above). Such revenue from wireless value-added service and online advertising amounted to HK$107,000 and HK$5,996,000, respectively, for the year ended 31 December 2002 and amounted to HK$223,000 and HK$1,889,000, respectively, for the nine months ended 30 September 2003. The Company operates websites such as tomgroup.com, tomreport.com and hk.tom.com, which serve as a venue to provide the Company's clients or potential clients with information about the Company's operations and services. Furthermore, one of the websites operated by the Company (being spp.com.tw) offers wireless value-added services in Taiwan and online advertising. For example, Sharp Point (one of the Company's publishing companies in Taiwan) publishes books to inform its readers on how to download or create their own ring tones and therefore offers ring tone downloads from spp.com.tw. The revenue generated to the Company therefrom is insignificant, having generated HK$107,000 and HK$223,000 for the year ended 31 December 2002 and for the nine months ended 30 September 2003, respectively. These websites and products and services provided by the Company therefrom are ancillary to and serve to enhance the business of the Company. For the nine months ended 30 September 2003, the wireless value-added services of the Company accounted for approximately 0.07% of the wireless value-added services revenue of the TOM Online Group. The entities of the Remaining TOM Group would subsist and not be adversely affected if their websites cease to exist. TOM Online provides wireless value-added products and services, online advertising and commercial enterprise solutions through the portal or are portal related services of the TOM Online Group. Consequently, substantially all of TOM Online's revenue is derived from the services provided through the Internet. Certain of the Company's passive investments operate websites. The Company does not hold a majority stake in such companies and some of them operate online businesses outside the PRC. Pursuant to the terms of the deed of non-competition, the Company will agree to limit the revenue derived from Ancillary Online Services (as defined below) in accordance with certain caps, for further details, please refer to the section entitled "Non-competition undertakings" below.

- *Directorship and Management.* The TOM Online Board consists of six executive directors and five non-executive directors, including two independent non-executive directors. As only three of TOM Online's non-executive directors and one of its executive directors are Directors of the Company, a majority of its board will have no connection with the Company (or its controlling shareholders) even if the independent non-executive directors of the TOM Online are not taken into account.

In order to reinforce the delineation in the corporate entities of the Company and the TOM Online Group, the Company has proposed to change its name to "TOM Group Limited" and to adopt a Chinese identifying name of "TOM集團有限公司" upon the change of name becoming effective. The Board considers that the new name will better reflect the diversified nature of the Company's distribution platforms. For further information on the proposed change of name, please see the section headed "Proposed Change of Name of the Company" below.

Furthermore, any hyperlinks or linkages which might exist between websites of TOM Online Group and the Company have been removed. Going forward, if any such linkages (e.g. in the form of banner advertising) are maintained, it would be charged to the relevant party at normal commercial terms on an arm's length basis.

Following the Listing Date, all transactions between members of the Remaining TOM Group and members of the TOM Online Group will be subject to the connected transaction requirements set out in Chapter 20 of the GEM Listing Rules. For further information on certain transactions which will constitute non-exempted connected transactions upon completion of the Proposed Spin-off, see the section headed "Proposed Continuing Connected Transactions" below.

In connection with the Proposed Spin-Off, the Remaining TOM Group will give certain indemnities to the TOM Online Group in relation to certain tax liabilities which might be payable by the TOM Online Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional, as well as certain taxation claims under certain estate duty legislation.

10. Non-competition undertakings

In connection with the Proposed Spin-Off, and in order to assist with a clear delineation between the businesses of the Remaining TOM Group and the TOM Online Group, the Company and TOM Online will enter into a deed of non-competition to the effect that:

(i) the Company undertakes to TOM Online that, without TOM Online's prior written consent, the Remaining TOM Group will not, directly or indirectly, within the PRC engage in, invest in, carry on, participate in or have any interest in, any online activities that compete with TOM Online's online businesses in the PRC (including TOM Online's wireless value-added services, online advertising and commercial enterprise solutions);

(ii) if any member of the Remaining TOM Group identifies or is offered by a third party any online business opportunity (a) within the PRC, that member of the Remaining TOM Group will give TOM Online a right of first refusal to such online business opportunity, and should TOM Online decline and a member of the Remaining TOM Group choose to engage in such business and subsequently dispose of its interest in the business created from such business opportunity, the Remaining TOM Group shall give TOM Online right of first refusal to acquire its interest, which will expire on the fifth anniversary date of the deed of non-compete or (b) outside the PRC, that member of the Remaining TOM Group will give TOM Online a right of first refusal to such online business opportunity; and

(iii) as part of its principal businesses (comprising outdoor media, print media, sports and entertainment, and any other new business divisions that the Company may have from time to time) ("Business Divisions"), the Remaining TOM Group may continue to engage in certain online services ancillary to their Business Divisions (i.e. they serve to enhance the Business Divisions and/or are for informational purposes only) ("Ancillary Online Services") so long as:

  (a) the revenue earned for the Ancillary Online Services of any Business Division (excluding the online services provided through the Hong Kong Portal) will not exceed 10% of the total revenue earned from that division in the same financial year;

  (b) the revenue earned for the Ancillary Online Services of all Business Divisions (including online services provided via the Hong Kong Portal) will not exceed 5% of the total revenue of the Group (but excluding the revenue attributed to the TOM Online Group which are consolidated into the total revenue of the Group) in the same financial year; and

  (c) the revenue earned for the Ancillary Online Services of all Business Divisions (including online services provided via the Hong Kong Portal) will not exceed 15% of the total revenue of the TOM Online Group in the same financial year.

In addition, pursuant to this deed, the Company will grant TOM Online a call option exercisable within 3 years from the Listing Date which will allow TOM Online to acquire the Hong Kong Portal at a fair market price to be determined by an independent valuer to be appointed by the parties at the time of the exercise of the call option by TOM Online.

The deed of non-competition does not place any restriction on the Excluded Businesses (other than the Hong Kong Portal), nor does it restrict the Company from undertaking any television or broadcasting business, any ISP business or any investments in either listed companies which engage in online activities (provided the Company's interest does not exceed 5%) or any investment funds (provided that any such investment fund does not take a majority interest in any online investment and that such online investment shall not be operated by the Company).

The deed of non-competition will take effect on the Listing Date and will terminate on the later of (i) the date the Company ceases to hold, directly or indirectly, 30% or more of TOM Online's issued share capital and (ii) the second anniversary of the date of the deed of non-competition. Given that the Remaining TOM Group and the TOM Online Group have different and separate focus in terms of operations, markets and business plans, the Directors do not consider that the non-competition undertakings will have any adverse impact on the businesses and operations of the Remaining TOM Group or the TOM Online Group.

Please note that the terms of the deed of non-competition are subject to finalisation by the parties. The detailed terms of the deed of non-competition will be set out in the Prospectus.

11. Conditions

TOM Online is regarded as a major subsidiary of the Company under the GEM Listing Rules and the dilution in the Company's equity interests in TOM Online is expected to be material after the implementation of the Proposed Spin-Off and is also expected to constitute a major transaction under the GEM Listing Rules. The Proposed Spin-Off and the Global Offering will therefore be conditional on, among other things, the following:

(a) the Shareholders passing the ordinary resolution at the EGM to approve the Proposed Spin-Off;

(b) the GEM Listing Committee granting approval for the listing of, and permission to deal in, the Initial Consideration Shares and all the TOM Online Shares in issue and to be issued pursuant to the Global Offering, the Pre-IPO Share Option Plan and the Share Option Scheme;

(c) the registration statement for the securities of TOM Online which has been filed with the US SEC becoming effective and NASDAQ granting approval for the inclusion of the ADSs for quotation on NASDAQ; and

(d) the obligations of the underwriters, under the underwriting agreements to be entered into between, among others, the Company, TOM Online, the Joint Global Coordinators and the underwriters in respect of the Global Offering (the "Underwriting Agreements") becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by or on behalf of the underwriters) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, on or before the dates and times to be specific therein.

If these or any other applicable conditions are not fulfilled or waived (if applicable) prior to the dates and times to be specified, the Global Offering will lapse and a notice will be published by TOM Online and/or the Company as soon as practicable after such lapse.

As the listing of TOM Online Shares and ADSs pursuant to the Proposed Spin-Off and the Global Offering is subject to, amongst other things, the state of the equity markets, the approvals of the GEM Listing Committee and/or NASDAQ, the relevant United States regulatory process, the approval of Shareholders and the final decision of the Board, the Proposed Spin-Off may or may not proceed. In particular, there is no assurance that approval for the listing of securities of TOM Online will be granted by the GEM Listing Committee and/or NASDAQ.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

Following the implementation of the Proposed Spin-Off and Global Offering, the net tangible asset value of the Company will be increased as a result of the issue by TOM Online of the Offer Shares at an expected price above its underlying net tangible asset value. The Company's interest in TOM Online will be reduced from 100% to approximately in the range between 71.0% to 71.8% pursuant to the issue of the Initial Consideration Shares to Cranwood and the Global Offering (assuming that the Over-allotment Option is not exercised).

Effect on net tangible asset and net asset value

The Proposed Spin-Off will result in a net increase in the unaudited pro forma adjusted combined net tangible asset value of the Group from approximately HK$411.7 million or 10.61 HK cents per Share to the range of approximately HK$968.4 million to HK$1,278.1 million or to the range of approximately 24.97 HK cents to 32.95 HK cents per Share. It will also result in a net increase in the unaudited pro forma adjusted combined net asset value of the Group from approximately HK$1,576.1 million or 40.64 HK cents per Share to the range of approximately HK$2,138.3 million to HK$2,447.9 million or to the range of approximately 55.14 HK cents to 63.12 HK cents per Share. The following financial effect data based on HK GAAP are extracted from the statement of effect on the net tangible asset and net asset value of the Group before and after the Proposed Spin-Off as set out in paragraph 1 of Appendix III to this circular.

			Per Share
		HK$ million	*HK cents* *(Note 3)*
(i)	*Effect on net tangible assets*		
	Unaudited pro forma adjusted combined net tangible assets of the Group before the Proposed Spin-Off *(Note 1)*	411.7	10.61
	Increase in the net tangible asset value of the Group arising from the Proposed Spin-Off *(Note 2)*	556.7 – 866.4	14.36 – 22.34
	Unaudited pro forma adjusted combined net tangible assets of the Group immediately following the Proposed Spin-Off	968.4 – 1,278.1	24.97 – 32.95
(ii)	*Effect on net assets*		
	Unaudited pro forma adjusted combined net assets of the Group before the Proposed Spin-Off *(Note 1)*	1,576.1	40.64
	Increase in the net asset value of the Group arising from the Proposed Spin-Off *(Note 2)*	562.2 – 871.8	14.50 – 22.48
	Unaudited pro forma adjusted combined net assets of the Group immediately following the Proposed Spin-Off	2,138.3 – 2,447.9	55.14 – 63.12

The increase in the net tangible asset and net asset value of the Group arising from the Proposed Spin-Off are calculated based on a preliminary estimated range of valuation for the Proposed Spin-Off.

Notes:

1. The unaudited pro forma adjusted combined net tangible assets and net assets of the Group before the Proposed Spin-Off are based on the audited net tangible assets and net assets of the Group as at 30 June 2003, adjusted to reflect certain events which have taken place since 30 June 2003, including among others, the Share placement and Issue of the Convertible Bonds and the effect of the acquisitions announced and/or completed by the Company, including among others the acquisitions of CETV and Puccini. For details of the calculation, please refer to paragraph 1 of Appendix III to this circular.

2. Increase in the net tangible asset value and net asset value of the Group arising from the Proposed Spin-Off are calculated on the basis of the following key assumptions:

   a. The net proceeds from the Proposed Spin-Off are estimated to be in the range of approximately HK$840 million to HK$1,260 million (assuming the Over-allotment Option is not exercised).

   b. The Proposed Spin-Off was completed on 30 September 2003.

   c. The acquisition of Puccini was completed on 19 November 2003.

   d. The issue of the Convertible Bonds was completed on 28 November 2003.

   e. The calculation excludes the operating results of the Group subsequent to 30 September 2003.

   f. TOM Online will allot and issue new TOM Online Shares representing the sum of US$18.5 million at the Offer Price to Cranwood prior to the Listing Date in order to satisfy the initial consideration for the acquisition of Puccini.

   g. The unaudited consolidated net assets of the TOM Online Group as at 31 December 2003, which is extracted from note 23(a) to the Accountants' Report on the TOM Online Group in Appendix II to this circular, is used in the calculation.

   h. The difference between the increase in the net asset value and the increase in the net tangible asset value of the Group arising from the Proposed Spin-Off is resulted from the decrease in the Group's share of negative goodwill of HK$19,169,000 arising from the acquisition of Puccini.

3. The unaudited pro forma adjusted combined net tangible asset and net asset value per Share of the Group before and immediately following the Proposed Spin-Off are based on 3,878,261,817 Shares in issue as at the Latest Practicable Date.

Effect on gearing position of the Group

As disclosed in the audited consolidated balance sheet of the Group as at 30 June 2003 contained in the circular to Shareholders dated 3 November 2003, the Group had shareholders' equity of approximately HK$332.4 million and borrowings (net of cash and bank balances) (the "net borrowings") of approximately HK$592.9 million. The gearing ratio of the Group (calculated as net borrowings to shareholders' equity) as at 30 June 2003 was approximately 1.78 times. Taking into account the net proceeds of HK$996.3 million from a share placement of TOM Shares on 3 July 2003 and the net increase in borrowings of approximately HK$31.2 million arising from the issuance of the Convertible Bonds on 28 November 2003, the Group's unaudited adjusted net cash position would be approximately HK$372.2 million. Immediately after the Global Offering and taking into account the lower end of the range of estimated net proceeds of approximately HK$840 million to be raised from the Global Offering, the Group's net cash position would be further increased to approximately HK$1,212.2 million.

Effect on earnings

Following the implementation of the Global Offering, the Company's interest in TOM Online Group will be reduced from 100% to the range of approximately 71.0% to 71.8% (assuming the Over-allotment Option is not exercised) and the gross proceeds and net proceeds from the Global Offering are estimated to be in the range of approximately HK$1,000 million to HK$1,460 million and approximately HK$840 million to HK$1,260 million, respectively. As a result, the Group's earnings contributed from TOM Online Group will be reduced. The audited loss attributable to Shareholders under HK GAAP for the year ended 31 December 2002 was approximately HK$409.6 million, of which an unaudited loss of approximately HK$49.9 million was contributed by TOM Online Group. The unaudited loss of the Group attributable to Shareholders for the nine months ended 30 September 2003 was approximately HK$14.2 million, and the unaudited profit of the TOM Online Group attributable to Shareholders under HK GAAP for the year ended 31 December 2003 was approximately HK$166.6 million.

The following pro forma analysis of the loss attributable to Shareholders and the loss per Share was prepared on the assumption that the Global Offering was completed on 1 January 2002 and does not take into account the following:

(a) the net proceeds generated from the Global Offering; and

(b) any profit from the deemed disposal by the Company of its interest in the TOM Online Group.

	2002 HK$ million	2003 HK$ million	Per Share 2002 HK cents (Note 1)	Per Share 2003 HK cents (Note 1)
Audited loss attributable to Shareholders for the year ended 31 December 2002 and unaudited loss attributable to Shareholders for the nine months ended 30 September 2003 before the Proposed Spin-Off	409.6	14.2	12.41	0.41
If TOM Online's net proceeds from Global Offering are approximately of HK$840 million				
Adjusted by:				
approximately 29.0% share of net loss of HK$49.9 million for the year ended 31 December 2002 and net profit of HK$166.6 million for the year ended 31 December 2003 attributable to shareholders of TOM Online *(Note 2)*	(14.5)	48.3	(0.44)	1.38
Unaudited pro forma combined loss attributable to Shareholders for the year ended 31 December 2002 and for the nine months ended 30 September 2003 after the Proposed Spin-off	395.1	62.5	11.97	1.79
If TOM Online's net proceeds from Global Offering are approximately of HK$1,260 million				
Adjusted by:				
approximately 28.2% share of net loss of HK$49.9 million for the year ended 31 December 2002 and net profit of HK$166.6 million for the year ended 31 December 2003 attributable to shareholders of TOM Online *(Note 2)*	(14.1)	47.0	(0.43)	1.34
Unaudited pro forma combined loss attributable to Shareholders for the year ended 31 December 2002 and for the nine months ended 30 September 2003 after the Proposed Spin-off	395.5	61.2	11.98	1.75

Notes:

1. The calculation of the loss per Share for the year ended 31 December 2002 and the nine months ended 30 September 2003 on the respective audited loss attributable to Shareholders for the year ended 31 December 2002, unaudited loss attributable to Shareholders for the nine months ended 30 September 2003, unaudited pro forma combined loss attributable to Shareholders for the year ended 31 December 2002 and for the nine months ended 30 September 2003 after the Proposed Spin-Off are based on the weighted average number of 3,301,115,146 and 3,488,212,188 Shares outstanding during the relevant periods.

2. The unaudited pro forma combined results for the year ended 31 December 2002 and for the nine months ended 30 September 2003 include the results of the TOM Online Group for the years ended 31 December 2002 and 2003 prepared in accordance with US GAAP with certain adjustments under HK GAAP as set out in note 23(a) to the Accountants' Report of TOM Online Group in the Appendix II to this Circular.

In order to better reflect the underlying value of the TOM Online Shares, it is proposed that valuation of the TOM Online Shares should only be carried out at a time closer to the Listing Date. The indicative price range per ADS to be offered under the International Offering is expected to be made available by way of an announcement on the GEM website on or about Monday, 23 February 2004 (Hong Kong time).

The preliminary estimated valuation mentioned above is only based on a tentative price range, which will be subject to adjustments based on a valuation of the TOM Online Shares at a time closer to the Listing Date, taking into account the then conditions of the market and the TOM Online Group etc. There is no assurance that the final price range will fall within the valuation based on which the above figures are calculated.

In the event that the anticipated minimum net proceeds to be raised from the Global Offering falls below the lower end of the preliminary estimated net proceeds range of approximately HK$840 million as stated above, the Company will issue an announcement prior to the EGM confirming whether the Board and Rothschild, after assessing the effects of the Proposed Spin-Off under the final proceeds range, considers the final proceeds range of the Global Offering to be in the interests of the Company and its Shareholders and whether Rothschild's recommendation contained in this circular remains unchanged. Otherwise, a new EGM will be convened and a new Shareholder circular will be issued.

Effect on the working capital of the Group

As disclosed in the paragraph headed "Intended use of proceeds" in this circular, the net proceeds to be raised from the Global Offering are estimated to be in the range of approximately HK$840 million to HK$1,260 million. In view of the fact that fresh capital will be raised from the Global Offering and TOM Online will remain a subsidiary of the Company after the Global Offering, the Directors are of the view that the working capital position of the Group would be improved as a result of the Global Offering.

THE REORGANISATION

Prior to the Reorganisation, the Company's online media division consisted of twenty-five entities (for further information see the paragraph "Reorganisation Overview" under the section headed "The Proposed Spin-Off"). The Reorganisation involved the transfer to TOM Online by the Company of its interests in its nine core Internet business entities, the details of which are set out in the table below. Unless otherwise indicated, each entity was established by or on behalf of the Company.

Company	Date of incorporation/ establishment and acquisition (if relevant)	Business description
(1) Beijing Super Channel Network Limited	Established with limited liability under the laws of the PRC on 20 January 2000	Development of software information system, computer network and website products in the PRC
(2) Shanghai Super Channel Network Limited	Established with limited liability under the laws of the PRC on 20 January 2000	Development of software information system, computer network and website products in the PRC
(3) Shenzhen Freenet Information Technology Company Limited ("Shenzhen Freenet")	Established with limited liability under the laws of the PRC on 16 November 1999. The economic interests in Shenzhen Freenet were acquired by the Company on 1 November 2000 and contractual arrangements to confer the economic interest on the Group were first entered into on 6 December 1999	Operates 163.net and e-mails service provider in the PRC
(4) Beijing Lei Ting Wan Jun Network Technology Limited ("Beijing Lei Ting")	Established with limited liability under the laws of the PRC on 23 November 2000. Contractual arrangements to confer the economic benefit of Beijing Lei Ting on the Group were first entered into on 8 August 2002	Provision of Internet content services, online advertising services and wireless value-added services in the PRC
(5) Beijing GreaTom United Technology Company Limited ("GreaTom")	Established with limited liability under the laws of the PRC on 12 March 2001. The TOM Online Group acquired an additional 20% interest on 31 October 2003, bringing its total interest in this company to 90%. The remaining 10% is held by Great Wall Technology Company Ltd., a PRC company whose shares are listed of the main board of the Stock Exchange	Provision of commercial enterprise solutions and development of operating platform for broadband Internet value-added services in the PRC

Company	Date of incorporation/ establishment and acquisition (if relevant)	Business description
(6) TOM.COM (China) Investment Limited	Established with limited liability under the laws of the PRC on 28 July 2000	Investment holding in the PRC
(7) Lahiji Vale Limited	Incorporated with limited liability under the laws of the British Virgin Islands on 30 September 1999	Investment holding in the PRC
(8) Advanced Internet Services Limited	Incorporated with limited liability under the laws of Hong Kong on 3 September 1999 and acquired by the Company on 1 November 2000	Investment holding in the PRC
(9) Laurstinus Limited	Incorporated with limited liability under the laws of the British Virgin Islands on 23 November 1999	Investment holding in the PRC

The six non-core Internet business entities of the Company's online media division were not transferred to TOM Online primarily due to the fact that most of their operations were moved to the nine core Internet business entities, and they are expected to be wound down or, in the case of Beijing Lu Jing Ling Advertising Limited (now renamed Beijing TOM International Advertising Limited) ("Beijing Lu Jing Ling") and Shenzhen Freenet Super Channel Advertising Company Limited ("Shenzhen Freenet Advertising"), used by the Company for offline advertising sales in the PRC to utilize their advertising licenses. In addition, as these six entities were managed by the management group of the nine core Internet business entities prior to the Reorganisation, they are included in the historical consolidated financial statements of the TOM Online Group up until 26 September 2003 (being the date of the agreements effecting the Reorganisation) under US GAAP (see Appendix II to this circular). Details on these six non-core Internet business entities and the reasons for their exclusion from the TOM Online Group, are set out in the table below.

Company	Date of establishment and acquisition (if relevant)	Description	Reason(s) for exclusion from TOM Online Group
(1) Sharkwave Information Technology (Beijing) Company Limited	Established with limited liability under the laws of the PRC on 24 December 1999 and acquired by the Company on 1 December 2000	Engaged in sports website operations. Provision of services relating to Internet, electronic publishing and e-commerce technology in the PRC	Operations were integrated into Beijing Super Channel by the end of 2000. The Company intends to wind up this company in due course
(2) China Travel Network Company Limited	Established with limited liability under the laws of the PRC on 20 October 1997 and acquired by the Company on 1 December 2001	Operates a domestic travel website in the PRC	Operations were integrated into Beijing Super Channel by the end of 2001. The Company intends to wind up this company in due course
(3) Beijing Oriental China Travel Agency Limited	Established with limited liability under the laws of the PRC on 10 September 1997 and acquired by the Company on 1 December 2001	Provision of marketing, advertising and business conferencing services and travel related services	Operations were integrated into Beijing Super Channel by the end of 2001. The Company intends to wind up this company in due course
(4) Beijing Planet Network Travel Information Technology Limited	Established with limited liability under the laws of the PRC on 15 December 1999 and remaining 45% interest acquired by the Company on 1 December 2001	Travel related software development and provision of consulting services in the PRC	Operations were integrated into Beijing Super Channel by the end of 2001. The Company intends to wind up this company in due course

Company	Date of establishment and acquisition (if relevant)	Description	Reason(s) for exclusion from TOM Online Group
(5) Beijing Lu Jing Ling	Established with limited liability under the laws of the PRC on 5 March 2001	Advertising sales in the PRC. Holds an advertising licence in Beijing, the PRC. Used to be involved in the provision of online advertising (bundled with offline advertising elements)	It is no longer involved in online advertising and was fully transferred to the outdoor media division of the Remaining TOM Group on 26 September 2003 where it now conducts offline advertising sales in the PRC
(6) Shenzhen Freenet Advertising	Established with limited liability under the laws of the PRC on 14 May 2001	Advertising sales in the PRC. Holds an advertising licence in Guangzhou, the PRC. Used to be involved in the provision of online advertising (bundled with offline advertising elements)	It is no longer involved in online advertising and is in the process of being transferred to either the publishing division or the sports and entertainment division of the Remaining TOM Group where it now conducts offline advertising sales in the PRC

Both the core Internet business entities and non-core Internet business entities discussed above have been operating under the same management team led by Mr. Wang Lei Lei since inception or acquisition, as the case may be.

The remaining ten business entities in the Company's online media division, being the Excluded Businesses, were not transferred to the TOM Online Group pursuant to the Reorganisation as they were either engaged in different business areas (being-non portal businesses within the PRC, online businesses outside the PRC or passive investments of the Company) and/or under different management from that of the TOM Online Group. The details of the Excluded Businesses, and the reasons for their exclusion from the TOM Online Group, are set out in the table below:

Company/Business entity	Description	Reason(s) for exclusion from TOM Online Group
(1) iTravel (HK) Limited ("iTravel")	iTravel provided worldwide travel services through the website "GoChinaGo" in Hong Kong	iTravel ceased operations in May 2002
(2) Shanghai Maya Online Broadband Network Company Limited ("Shanghai Maya")	Shanghai Maya's business includes renting and selling audio/video entertainment products (such as CDs, VCDs, and DVDs) online; producing and sublicensing television programmes; broadcasting television programmes on its website and video on demand services on the Shanghai broadband telecommunications network; and news and online advertising Shanghai Maya also earns revenue from subleasing television channel commercial airtime to its advertisers and online advertising. Shanghai Maya receives commercial airtime in lieu of royalty income from television channels for broadcasting programmes produced by Shanghai Maya	Passive investment. The Company has an effective interest of 50% and three board seats out of a total of five Shanghai Maya has been classified as an investment security in the Company's financial statements since October 2002 as the Company, notwithstanding its board representation, is unable to exert any meaningful influence on the decision-making process of Shanghai Maya
(3) Cernet Online Company Limited ("Cernet Online")	Cernet Online is an Internet service provider ("ISP") in the PRC and earns revenue mainly from providing Internet dial-up connectivity services with its own application platform	Passive investment. The Company has an effective interest of 37%. TOM Online is not involved in the ISP business (which is the pure physical infrastructure relating to Internet connectivity and does not involve the provision of content, products and services through the Internet and wireless communications networks)

Company/Business entity	Description	Reason(s) for exclusion from TOM Online Group
(4) Cernet Information Technology Company Limited ("Cernet Info")	Cernet Info provides technical support services exclusively to Cernet Online	As discussed above, TOM Online is not involved in the ISP business
(5) ChinaPlus (Beijing) Company Limited ("ChinaPlus")	ChinaPlus provides interactive online marketing services in the PRC and Taiwan. It is a think-tank which provides consulting services to corporates by determining marketing strategy and setting marketing budgets	The Company has an effective interest of 50%. The Company does not intent to expand this business. The operations of ChinaPlus are all online and the Company does not consolidate its revenue as it is not its subsidiary and therefore there is a minimal contribution to the Company
(6) AASTOCKS.com LIMITED ("AASTOCKS")	AASTOCKS is engaged in the provision of subscription-based online financial information services primarily in Hong Kong, but also in the PRC. It also earns revenue from online advertising	Passive investment. The Company has an effective interest of 16.7% and only one board seat out of seven and, accordingly, the Company does not have influence over the decision-making process of AASTOCKS. The operations of AASTOCKS are all online and the Company does not consolidate its revenue as it is not its subsidiary and therefore there is a minimal contribution to the Company
(7) Beijing Redsail Netlegend Data Network Technology Company Limited ("Redsail")	Redsail is principally engaged in call center services for mainland Chinese enterprises. No Internet services are provided	TOM Online is not involved in call center activities. The Company does not intend to expand or focus on this business going forward
(8) She Communications Limited ("SheComm")	Operates a fashion website in Hong Kong. SheComm provides both online advertising services and offline event organisation and promotion and marketing services to customers and event sponsors	Passive investment. The Company has an effective interest of 33.3% and only two board seats out of a total of five TOM Online is not involved in promotional events and activities

Company/Business entity	Description	Reason(s) for exclusion from TOM Online Group
(9) ECLink Electronic Network Systems (Shenzhen) Company Limited ("SZ ECLink")	SZ ECLink develops electronic data interchange (EDI) customs declaration software and provides online customs declaration services to business customers	SZ ECLink is only focused on the non-portal related business of development of software applications for transmission of customs declaration data. By contrast, TOM Online's commercial enterprise solutions employ Internet and wireless value-added technologies
(10) Hong Kong Portal	The Company's Internet portal at www.hk.tom.com	The Company's Hong Kong Portal has a different design and layout from TOM Online's portal (www.tom.com) and offers different content and services The Hong Kong Portal is used primarily to provide information and to enhance other revenue generating businesses of the Remaining TOM Group

The Reorganisation was consummated pursuant to a series of agreements all of which were duly executed on or by 26 September 2003. All other entities of the Company that were not transferred to TOM Online remained with the Company, including the ten Excluded Businesses of its online media division, and entities in the publishing, outdoor media, and sports and entertainment divisions.

In addition, on 19 November 2003, TOM Online acquired Puccini from Cranwood. Puccini provides wireless interactive voice response ("IVR") services through LTWJi. Details of the companies incorporated and acquired pursuant to the Puccini acquisition are set out below:

Company	**Date of establishment and (if relevant) acquisition**	**Business description**
Bright Horizon Enterprises Limited	Incorporated with limited liability under the laws of the British Virgin Islands on 27 August 2001	Investment holding in the PRC
Puccini	Incorporated with limited liability under the laws of the Cayman Islands on 13 March 2000 and acquired by TOM Online on 19 November 2003	Investment holding in the PRC
LTWJi	Established with limited liability under the laws of the PRC on 31 July 2002 and economic interest acquired by TOM Online on 19 November 2003	Provision of IVR services in the PRC
Puccini Network Technology (Beijing) Limited	Established with limited liability under the laws of the PRC on 16 October 2003 and acquired by TOM Online on 19 November 2003	Technology development in network, computer software and hardware, IVR services and communications and the provision of related consultancy services in the PRC

PROPOSED CONTINUING CONNECTED TRANSACTIONS

1. TOM Online Continuing Connected Transactions

Following the completion of the Proposed Spin-Off, the Remaining TOM Group and the TOM Online Group will continue to enter into or carry out certain transactions described below. Such transactions would constitute connected transactions for the Company under the GEM Listing Rules once the TOM Online Shares are listed on GEM and for so long as TOM Online (as a non-wholly owned subsidiary of the Company whose shareholders include a director, chief executive or substantial shareholder of the Company or an Associate of any such person) and its subsidiaries remain connected persons of the Company within the meaning of the GEM Listing Rules. In addition, such transactions will constitute connected transactions for TOM Online once the TOM Online Shares are listed on GEM and for so long as the Company (as the management and substantial shareholder of TOM Online) and its subsidiaries remain connected persons of TOM Online within the meaning of the GEM Listing Rules. Other than the connected transactions which are exempted from the reporting, announcement and shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules, such transactions (together, the "TOM Online Continuing Connected Transactions") are:

(i) Media services agreement

TOM Online and TOM.COM INTERNATIONAL entered into a media services agreement on 26 September 2003. Pursuant to this agreement, TOM.COM INTERNATIONAL agreed to provide, and/or use reasonable endeavors to procure the provision of certain goods and services to the TOM Online Group on a non-exclusive basis, including print and publishing services, advertising services, public relations and sports event management and other organization services, content, advertising services or other marketing or promotional services in relation to the television channel operated by CETV ("Media Services"). The fees for such services will be calculated with reference to the market rate for the provision of the relevant goods and services. This agreement will be effective until 31 December 2006.

The annual fee caps for media services under this agreement are HK$3 million for 2004, HK$4 million for 2005 and HK$5 million for 2006. These fee caps are determined based on the Group's internal projection of contracts expected to be signed with the TOM Online Group. These projections include, inter alia, (i) contracts with the Company's outdoor media and publishing (print media) divisions for promotion of the TOM Online Group's services and products (which is expected to amount to HK$1 million in 2004, HK$2 million in 2005 and HK$2.5 million in 2006, based on the TOM Online Group's use of the Company's outdoor media services to promote its free email system in 2003 (which contract amounted to approximately HK$650,000) and the TOM Online Group's plans to use the Company's print media services to promote the TOM Online Group's new products, including but not limited to the portal product, wireless product, search product and game product), (ii) a tie-in for TOM Online's wireless products with a programme on the television channel operated by CETV (which is expected to amount to HK$1 million per annum), (iii) the acquisition of content from the Company's publishing division (which is expected to amount to HK$500,000 per annum) and (iv) other Media Services contracts (e.g. core marketing) with the Company (which is expected to amount to HK$500,000 per annum).

Prior to 26 September 2003, the Remaining TOM Group was providing the TOM Online Group with Media Services under no specific agreement. The TOM Online Group has been acquiring these services from the Remaining TOM Group since inception. The Directors have confirmed that the Media Services provided up to 31 December 2003 by the Remaining TOM Group were on normal commercial terms or on terms no less favourable to the TOM Online Group than those available from independent third parties.

The purpose of this agreement is to enable TOM Online to procure offline Media Services (e.g. print, publishing and offline advertising) on a non-exclusive basis from the Company. Such services will be provided on an arm's length basis on normal commercial terms. TOM Online is not restricted from obtaining such services from third parties. The directors of TOM Online have confirmed that the TOM Online Group has been satisfied with the performance of the Remaining TOM Group, and has developed a mutual understanding with these companies which facilitates the efficient operation and support of the TOM Online Group's business. The introduction of a new provider may impact the operations of the TOM Online Group owing to the need to install new systems and the need to develop a new working relationship. Hence, the directors of TOM Online believe that it is reasonable to continue acquiring these services from the Remaining TOM Group.

(ii) Online media services agreement

TOM Online and TOM.COM INTERNATIONAL entered into an online media services agreement on 26 September 2003. Pursuant to this agreement, TOM Online agreed to provide and/ or procure the provision of certain goods and services to the Remaining TOM Group on a non-exclusive basis, including content, mobile communication, infotainment services or related telecommunication services, website development maintenance and hosting services, online advertising services and other related online services ("Online Media Services"). The fees for such services will be calculated with reference to the market rate for the provision of the relevant goods and services. This agreement will be effective until 31 December 2006.

The annual fee caps for the online media services under this agreement are HK$1 million for 2004, HK$1.5 million for 2005 and HK$2 million for 2006. These fee caps are determined based on the Group's internal projections of contracts expected to be signed with the Remaining TOM Group. These projections include, inter alia, (i) contracts with the Company for the provision of customer management, development and enhancement services (which is expected to amount to HK$300,000 in 2005 and HK$550,000 in 2006) and hosting and maintenance services (which is expected to amount to HK$900,000 in 2004, HK$1.05 million in 2005 and HK$1.2 million in 2006) by the TOM Online Group, based on the fee for its provision of such services to the Company for the six months ended 31 December 2003 (which amounted to approximately HK$540,000) and (ii) contracts with the Company for the provision of website development and maintenance and other Online Media Services by the TOM Online Group (which is expected to amount to HK$100,000 in 2004, HK$150,000 in 2005 and HK$250,000 in 2006).

Prior to 26 September 2003, the TOM Online Group has been providing the Remaining TOM Group with Online Media Services under no specific agreement. The Remaining TOM Group has been acquiring these services from the TOM Online Group since inception. The Directors have confirmed that the Online Media Services provided up to 31 December 2003 by the TOM Online Group were on normal commercial terms or on terms no less favourable to the Remaining TOM Group than those available from independent third parties.

The purpose of this agreement is to enable the Company to procure Online Media Services (e.g. online advertising and website development) on a non-exclusive basis from TOM Online. Such services will be provided on an arm's length basis on normal commercial terms. The Company is not restricted from obtaining such services from third parties. The Directors have confirmed that the Remaining TOM Group has been satisfied with the performance of the TOM Online Group, and has developed a mutual understanding with these companies over the years which facilitates the efficient operation and support of the business of the Remaining TOM Group. The introduction of a new provider may impact the operations of the Remaining TOM Group owing to the need to install new systems and the need to develop a new working relationship. Hence, the Directors believe that it is reasonable to continuing providing these services to the Remaining TOM Group.

(iii) Financial assistance to the TOM Online Group

To date the TOM Online Group has primarily financed its operations through capital contribution and advances from the Company. Each of Laurstinus, Lahiji and Advanced Internet Services entered into a separate loan agreement with the Company on 21 September 2003, pursuant to which the Company provided each of Laurstinus Limited ("Laurstinus"), Lahiji Vale Limited and Advanced Internet Services Limited ("Advanced Internet Services") with a loan, for financing the general operations of each, in the amount of approximately HK$12,800,000, HK$67,600,000 and HK$75,900,000 respectively. These three loans (the "Loans") are interest bearing at the market rate of 1.65% per annum over the Hong Kong Dollar Interbank Offered Rates with effect from 1 January 2004, are repayable after 31 December 2004 and do not have any fixed repayment terms. No security has been granted over the assets of the TOM Online Group in respect of any of these loans.

Pursuant to a letter of undertaking dated 13 February 2004, the Company has undertaken to the TOM Online Group that (i) the Company will not demand repayment of the amount due to it under these loans within one year from the Listing Date; (ii) the Company will not demand repayment of any outstanding amount due to it under these loans after one year from the Listing Date unless the TOM Online Group has positive cash flow from operations and net profit in a financial year and each of the TOM Online Group's independent non-executive directors has given an opinion that such repayment will not adversely affect the operations of the TOM Online Group and the implementation of TOM Online Group's business objectives for the period until 31 December 2006; and (iii) provided that the TOM Online Group has positive cash flow from operations and net profit in a financial year and each of the TOM Online Group's independent non-executive directors has given an opinion that such repayment will not adversely affect the operations of the TOM Online Group and the implementation of the TOM Online Group's business objectives for the period until 31 December 2006, the TOM Online Group may at any time voluntarily prepay the loans without penalty.

In addition, the Company has confirmed that in the event the TOM Online Group cannot attain its projected level of cash flow to finance the TOM Online Group's business plans until 31 December 2006 or fail to obtain the necessary funding in the equity or debt markets or bank financing, the Company is willing to negotiate with TOM Online to revise the repayment terms of the amounts due to it and will revise the repayment terms as appropriate.

In the opinion of the Directors, the interest rates for the above loans are on normal commercial terms as compared to similar terms offered by banks.

2. Tenancy Agreements

Certain members of the Group have entered into certain conditional supplemental tenancy agreements dated 13 February 2004 with Beijing Oriental for the lease of certain premises in Beijing Oriental Plaza. These supplemental tenancy agreements will not constitute continuing connected transactions for TOM

Online following the completion of the Proposed Spin-Off, as Beijing Oriental is not a connected person of TOM Online. However, these transactions are and, following the completion of the Proposed Spin-Off, will remain continuing connected transactions for the Company as Beijing Oriental is a connected person of the Company by virtue of it being an Associate of Cheung Kong.

The conditional supplemental tenancy agreements relate to the leasing of office spaces in Beijing Oriental Plaza for the TOM Online Group's use in Beijing. The TOM Online Group currently occupies 8/F., Rooms 1-6, 9/F. and Rooms 7-8, 9/F., Tower W3, The Towers, Beijing Oriental Plaza under three tenancy agreements dated 2 July 2003 which will expire on 14 June 2006. Three conditional supplemental tenancy agreements have been entered into each in respect of each tenancy agreement. Each of these agreements is conditional upon Independent Shareholders' approval. Details of the three tenancy agreements as amended by their respective conditional supplemental agreements are set out below.

(i) First tenancy agreement

Landlord:	Beijing Oriental
Tenant:	Beijing Super Channel
Subject premises:	The whole floor of 8/F., Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC ("Property 1")
Gross floor area:	Approximately 3,074 sq.m.
Term:	36 months commencing 15 June 2003 to 14 June 2006
Rent and management fee:	US$53,795 per month and monthly management fee of US$10,759, exclusive of rates and other outgoing charges (which rates and charges are payable to third parties). The rental is payable in advance on a monthly basis.

The annual caps for this tenancy agreement for 2004, 2005, and 2006 are US$613,263 (approximately HK$4,783,451), US$613,263 (approximately HK$4,783,451) and US$355,047 (approximately HK$2,769,367) respectively. These annual caps are based on the actual amount of rent and management fee payable to Beijing Oriental under the first tenancy agreement.

(ii) Second tenancy agreement

Landlord:	Beijing Oriental
Tenant:	TOM.COM (China)
Subject premises:	Rooms 1-6, 9/F., Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC ("Property 2")

Gross floor area:	Approximately 1,658 sq.m.
Term:	36 months commencing 15 June 2003 to 14 June 2006
Rent and management fee:	US$29,015 per month and monthly management fee of US$5,803, exclusive of rates and other outgoing charges (which rates and charges are payable to third parties). The rental is payable in advance on a monthly basis.

The annual caps for this tenancy agreement for 2004, 2005, and 2006 are US$330,771 (approximately HK$2,580,014), US$330,771 (approximately HK$2,580,014) and US$191,499 (approximately HK$1,493,692) respectively. These annual caps are based on the actual amount of rent and management fee payable to Beijing Oriental under the second tenancy agreement.

(iii) Third tenancy agreement

Landlord:	Beijing Oriental
Tenant:	TOM.COM (China)
Subject premises:	Rooms 7-8, 9/F., Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC ("Property 3")
Gross floor area:	Approximately 654 sq.m.
Term:	36 months commencing 15 June 2003 to 14 June 2006
Rent and management fee:	US$11,445 per month and monthly management fee of US$2,289, exclusive of rates and other outgoing charges (which rates and charges are payable to third parties) . The rental is payable in advance on a monthly basis.

The annual caps for this tenancy agreement for 2004, 2005, and 2006 are US$130,473 (approximately HK$1,017,689), US$130,473 (approximately HK$1,017,689) and US$75,537 (approximately HK$589,189) respectively. These annual caps are based on the actual amount of rent and management fee payable to Beijing Oriental under the third tenancy agreement.

The tenancy agreements relating to the leasing of office space in Beijing Oriental Plaza were disclosed in the circular of the Company dated 18 July 2003 and were subsequently approved by the Shareholders in general meeting on 5 August 2003. For information purposes, the rent for Properties 1, 2 and 3 under such tenancy agreements was US$61,480, US$33,160 and US$13,080 per month respectively. As a result of the decrease in the rental price of the property market in Beijing, the TOM Online Group has renegotiated the terms of its existing leases, with a lower rent (which is consistent with the local market price), and has conditionally entered into the supplemental tenancy agreements in respect of such premises. Pursuant to the three conditional supplemental tenancy agreements, the effective rent under the first, second and third tenancy agreements as amended by the three conditional supplemental tenancy agreements will be reduced from approximately US$14.2 per square metre per month to approximately US$13.1 per square metre per month (having taken into account the rent-free period), representing a reduction of approximately 7.7%, and approximately US$17.5 per square metre per month (without the rent-free deduction). The Directors have confirmed that such changes in the rental rate would have an impact of reducing TOM Online Group's rental expense by approximately US$202,000 for the term of the tenancy agreements.

In addition, the TOM Online Group also entered into a new tenancy agreement dated 13 February 2004 for the lease of Rooms 7-8, 5/F., Tower W3, The Towers, Beijing Oriental Plaza resulting from the expansion of its business. Details of the new tenancy agreement are set out below.

(iv) Fourth tenancy agreement

Landlord:	Beijing Oriental
Tenant:	LTWJi
Subject premises:	Rooms 7-8, 5/F., Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, PRC
Gross floor area:	Approximately 656 sq. m.
Term:	31 months and 14 days commencing 1 January 2004 to 14 August 2006
Rent and management fee:	US$11,480 per month and a monthly management fee of US$2,296, exclusive of rates and other outgoing charges (which rates and charges are payable to third parties). The rental is payable in advance on a monthly basis.

The annual caps for this tenancy agreement for 2004, 2005, and 2006 are US$130,872 (approximately HK$1,020,802), US$130,872 (approximately HK$1,020,802) and US$103,320 (approximately HK$805,896) respectively. These annual caps are based on the actual amount of rent and management fee payable to Beijing Oriental under the fourth tenancy agreement.

The Directors have confirmed that the effective rent under the fouth tenancy agreement is approximately US$14.1 per square metre per month (having taken into account the rent-free period) and approximately US$17.5 per square metre per month (without the rent-free deduction), which are at market rates available to independent third parties and on normal commercial terms.

3. Application for waivers

The Continuing Connected Transactions have been entered into and carried out in the ordinary course of business of the Group (except the Loans) and in accordance with the terms of the relevant agreements, which were negotiated on an arm's length basis. Rothschild, as the independent financial adviser appointed to advise the Independent Board Committee on the Continuing Connected Transactions considers the Continuing Connected Transactions to be fair and reasonable so far as the Independent Shareholders are concerned. The Directors are of the view that the Continuing Connected Transactions were entered into on normal commercial terms (i.e. terms no less favourable to the Group than terms available to or from independent third parties) and the terms are fair and reasonable and in the interests of the Shareholders taken as a whole. The Continuing Connected Transactions are expected to continue in the future and are expected to constitute non-exempted continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the reporting requirements set out in Rule 20.34, the announcement requirements set out in Rule 20.35 and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules.

However, as the Continuing Connected Transactions will be undertaken in the normal course of business of the Company and will occur on a regular basis, the Directors consider that it would not be practical to make ongoing disclosure of such transactions. The Company has therefore made an application to the Stock Exchange for a waiver from the announcement and shareholders' approval requirements as required under Rule 20.35 and Rule 20.36 of the GEM Listing Rules for the Continuing Connected Transactions subject to the following conditions:

(a) Arm's Length Basis

The Continuing Connected Transactions shall be:

(i) entered into by the Company in the ordinary and usual course of business (except the Loans); and

(ii) either:

(A) on normal commercial terms; or

(B) where there is no available comparison to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties;

(C) on terms that are fair and reasonable so far as the independent Shareholders are concerned; and

(D) if applicable, with the annual aggregate value of each category of connected transactions not exceeding the relevant annual caps set out in paragraph (e) below.

(b) Disclosure

The Company shall disclose brief details of the Continuing Connected Transactions in each year in the annual report and accounts of the Company for that year, as required by Rule 20.34(1) to (5) of the GEM Listing Rules, namely:

(i) the date or period of the transaction;

(ii) the parties thereto and a description of their connected relationship;

(iii) a brief description of the transaction and the purpose of the transaction;

(iv) the total consideration and the terms; and

(v) the nature and extent of the interest of the connected person in the transaction.

(c) Independent non-executive Directors' review

The independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm, in the annual report and accounts of the Company for the year in question, that such transactions have been conducted in the manner stated in conditions (i) and (ii) in paragraph (a) above.

(d) Auditors' review

The auditors of the Company shall review the Continuing Connected Transactions annually and shall provide the Directors with a letter stating that the transactions:

(i) have received the approval of the Directors;

(ii) have been entered into in accordance with the pricing policies as stated in the relevant agreements, where applicable;

(iii) have been entered into in accordance with the terms of the agreements governing the transactions; and

(iv) if applicable, have not exceeded the caps specified in paragraph (e) below.

The letter of the auditors is to be addressed to the Directors and a copy of which is to be provided to the Stock Exchange at least 10 business days prior to the bulk print of TOM Online's annual report. In the event that, for whatever reason, the auditors decline to accept the engagement or are unable to provide that letter, the Directors shall contact the Stock Exchange immediately.

For the purpose of the above review by the auditors, each party to the Continuing Connected Transactions has undertaken to the Company that it will provide its auditors with access to its accounting records.

(e) Caps

The aggregate annual value of the Continuing Connected Transactions shall not exceed the limits set out below:

Continuing Connected Transactions	Proposed annual caps	
Media services agreement	For 2004	HK$3 million
	For 2005	HK$4 million
	For 2006	HK$5 million
Online media services agreement	For 2004	HK$1 million
	For 2005	HK$1.5 million
	For 2006	HK$2 million
First tenancy agreement	For 2004	US$613,263
	For 2005	US$613,263
	For 2006	US$355,047
Second tenancy agreement	For 2004	US$330,771
	For 2005	US$330,771
	For 2006	US$191,499
Third tenancy agreement	For 2004	US$130,473
	For 2005	US$130,473
	For 2006	US$75,537
Fourth tenancy agreement	For 2004	US$130,872
	For 2005	US$130,872
	For 2006	US$103,320

(f) Undertakings

The Company will undertake that if:

(i) any of the material terms of the agreements referred to above are altered (unless as provided for under the terms of the relevant agreement or arrangement) or if the Remaining TOM Group enters into any new agreements or arrangements with any connected persons (within the meaning of the GEM Listing Rules and subject to the requirements set out in the GEM Listing Rules) in the future or if the caps referred to above are exceeded, the Remaining TOM Group will comply with the provisions of Chapter 20 of the GEM Listing Rules dealing with connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange; and

(ii) the aggregate consideration under each Continuing Connected Transaction in any year is to be greater than the higher of HK$10,000,000 or 3% of the net tangible assets of the Company, the transaction(s) and the aggregate consideration will be subject to review and re-approval by the Independent Shareholders at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the transaction(s) continue(s). The independent non-executive Directors will be required to opine in the annual report whether or not the Company should continue with the Continuing Connected Transaction(s).

The Continuing Connected Transactions are conditional on the approval by the Independent Shareholders at the EGM voting by way of poll. Cheung Kong and its Associates will abstain from voting on the resolution to be proposed at the EGM to approve the Tenancy Agreements.

ASSURED ENTITLEMENTS

1. The Preferential Offer

In order to enable Shareholders to participate in the Global Offering on a preferential basis as to allocation only, in addition to any application for Offer Shares as part of the Hong Kong Public Offer generally, Qualifying Shareholders will be invited to apply for Reserved Shares in the Preferential Offer on the basis of an assured entitlement of one Reserved Share for every whole multiple of 100 Shares held by them at the close of business on the Record Date.

Shareholders should note that their entitlement to Reserved Shares may represent TOM Online Shares not in a multiple of a full board lot of 2,000 shares, and dealings in odd lot TOM Online Shares may be at below their prevailing market price.

A blue application form will be despatched to each Qualifying Shareholder, together with a copy of the Prospectus. Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than or equal to, their Assured Entitlements under the Preferential Offer. Where a Qualifying Shareholder applies for a number of Reserved Shares greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their Assured Entitlements. The Joint Global Coordinators, on behalf of the underwriters, will allocate any Assured Entitlements not taken up by Qualifying Shareholders first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of the Joint Global Coordinators, to the International Offering.

Assured Entitlements of Qualifying Shareholders will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. The Joint Global Coordinators have the authority to reallocate all or any Reserved Shares not taken up by Qualifying Shareholders to the International Offering.

The Assured Entitlements are not being extended to Overseas Shareholders.

The number of TOM Online Shares available under the Preferential Offer is expected to represent approximately 3.9% of the Global Offering and approximately 1.0% of the total enlarged issued share capital of TOM Online upon completion of the Global Offering (assuming that the Initial Consideration Shares are issued and that the Over-allotment Option is not exercised).

The procedure for application for Assured Entitlements will be set out in the Prospectus and in the blue application form.

2. Closure of register of members

As announced by the Company on Monday, 9 February 2004, the register of members of the Company will be closed on Tuesday, 24 February 2004 for the purpose of determining the entitlement of Shareholders to the Assured Entitlements. No transfer of Shares may be registered on that day. In order to qualify for the Assured Entitlements, all transfers must be lodged with the Registrar by no later than 4:00 p.m. on Monday, 23 February 2004. However, if the Proposed Spin-Off is postponed, the Board may determine another date for closure of the register of members of the Company for the purpose of determination of Assured Entitlements further announcement would be made to inform Shareholders in due course.

PRE-IPO SHARE OPTION PLAN AND THE SHARE OPTION SCHEME

The Pre-IPO Share Option Plan and the Share Option Scheme constitute share option schemes governed by Chapter 23 of the GEM Listing Rules and are subject to the approval of the Shareholders at the EGM. Please refer to Appendix IV for a summary of the principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme.

The Pre-IPO Share Option Plan and the Share Option Scheme were conditionally adopted by TOM Online on 12 February 2004 and became effective subject to:

(i) the approval of such schemes by the Shareholders in the EGM;

(ii) the GEM Listing Committee granting approval of the listing of, and permission to deal in, any TOM Online Shares which may be issued pursuant to the exercise of Options;

(iii) the obligations of the underwriters under the underwriting agreement to be entered into in respect of the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the underwriters) and not being terminated in accordance with the terms of such agreement or otherwise; and

(iv) the commencement of dealings in the TOM Online Shares on GEM.

It is expected that the Pre-IPO Share Option Plan and the Share Option Scheme will become wholly unconditional on the Listing Date.

TOM Online proposes, subject to satisfaction of the conditions referred to the above, to grant Options under the Pre-IPO Share Option Plan to subscribe for a total of 280,000,000 TOM Online Shares (representing 10 per cent. of the current issued share capital of TOM Online) to certain executive directors, senior management and general staff (including the grant of Options in respect of 165,000,000 TOM Online Shares (representing approximately 5.89% of TOM Online's current issued share capital) to Mr. Wang Lei Lei as further described in the section headed "Proposed Grant of Options to Mr. Wang Lei Lei" below). Of these, Options in respect of 28,000,000 Shares (representing 1 per cent. of the current issued share capital of TOM Online) will vest one month from the Listing Date, although these Options will only be capable of exercise after the date which is six months after the Listing Date, and the remaining Options in respect of 252,000,000 TOM Online Shares (representing 9 per cent. of the current issued share capital of TOM Online) will vest between one and four years after the Listing Date. The TOM Online Board cannot grant any further Options under the Pre-IPO Share Option Plan.

As at the Latest Practicable Date, no Options have been granted or agreed to be granted by TOM Online under the Share Option Scheme.

PROPOSED GRANT OF OPTIONS TO MR. WANG LEI LEI

The TOM Online Board proposes, subject to the approval of Shareholders, that in order to recognise the contribution of Mr. Wang Lei Lei, the chief executive officer of the TOM Online Group, to the growth of the TOM Online Group and to incentivise him going forward, it will grant Options under the Pre-IPO Share Option Plan to Mr. Wang Lei Lei which will represent more than one per cent. of the total issued TOM Online Shares as follows:

Name of grantee	Number of Options outstanding under the Pre-IPO Share Option Plan	Exercise period *(Note 1)*	Approximate percentage of current issued share capital of TOM Online
Mr. Wang Lei Lei	16,500,000	Six months after Listing Date to 10 years after the Listing Date *(Note 2)*	0.59%
	24,750,000	One year after Listing Date to 10 years after the Listing Date	0.88%
	33,000,000	Two years after Listing Date to 10 years after the Listing Date	1.18%
	41,250,000	Three years after Listing Date to 10 years after the Listing Date	1.47%
	49,500,000	Four years after Listing Date to 10 years after the Listing Date	1.77%
	165,000,000		5.89%

Notes:

1. All Options vest at the start of the relevant exercise period save for the Options which are exercisable from 6 months after the Listing Date which vest one month after the Listing Date.

2. These Options will vest one month after the Listing Date.

All Options granted pursuant to the Pre-IPO Share Option Plan are exercisable at the Offer Price.

The total number of TOM Online Shares to be issued upon exercise of the Options proposed to be granted to Mr. Wang Lei Lei represents 5.89% of the current total issued TOM Online Shares. Save for the proposed grant of Options described above, no other options in respect of TOM Online Shares are proposed to be granted or have been granted to Mr. Wang Lei Lei as at the Latest Practicable Date.

As required by Rule 23.04 of the GEM Listing Rules, this grant of Options under the Pre-IPO Share Option Plan to Mr. Wang Lei Lei will be subject to the approval of the independent non-executive Directors.

As further required by the GEM Listing Rules, the maximum number of TOM Online Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Schemes in any 12-month period up to the date of grant to each eligible participant may not exceed one per cent. of the total issued TOM Online Shares unless (i) a shareholders' circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the options in excess of the one per cent. limit referred to in this paragraph; and (iii) the relevant eligible participant and their Associates abstain from voting on such resolution. Accordingly, the proposed grant of Options to Mr. Wang Lei Lei described above is subject to the approval of Shareholders (other than Mr. Wang Lei Lei and his Associates who are required to abstain from voting on such resolution as required by the Note to Rule 23.03(4) of the GEM Listing Rules) at the EGM.

REFRESHMENT OF THE 10 PER CENT. LIMIT UNDER THE PRE-IPO SHARE OPTION PLAN AND THE SHARE OPTION SCHEME

In accordance with the GEM Listing Rules, inter alia, the total number of TOM Online Shares available for issue under the Pre-IPO Share Option Plan and the Share Option Scheme and any other scheme of TOM Online, must not in aggregate exceed 10 per cent. of the TOM Online Shares in issue at the date of approval of the Pre-IPO Share Option Plan and the Share Option Scheme (the "10 per cent. limit"). The 10 per cent. limit may however be refreshed as detailed in paragraph (f) of section 1 of Appendix IV.

As TOM Online intends to utilise the full 10 per cent. limit pursuant to the proposed grant of Options under the Pre-IPO Share Option Plan described above, it would not be able to grant any Options to employees of the TOM Online Group under the Share Option Scheme unless the 10 per cent. limit were refreshed. The TOM Online Board wishes to retain the flexibility to make new grants of Options under the Share Option Scheme to employees going forward. Accordingly, the Board wishes to take this opportunity to recommend for the Shareholders' approval at the EGM that, subject to the approval of the Pre-IPO Share Option Plan and the Share Option Scheme, the existing 10 per cent. limit to grant Options under the Share Option Scheme and any other schemes of TOM Online which may be adopted in the future be immediately refreshed so that the total number of TOM Online Shares to be allotted and issued pursuant to the grant or exercise of any Options under the Share Option Scheme and any other schemes of TOM Online shall not exceed 10 per cent. of the TOM Online Shares in issue on the date of passing of the relevant resolution at the EGM.

Pursuant to the GEM Listing Rules, the TOM Online Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Pre-IPO Share Option Plan and the Share Option Scheme and any other schemes of TOM Online are not permitted to exceed 30 per cent. of the TOM Online Shares in issue from time to time. No Options may be granted under any scheme(s) of TOM Online which would result in the 30 per cent. limit being exceeded.

If the 10 per cent. limit is refreshed, based on 2,800,000,000 TOM Online Shares in issue as at the Latest Practicable Date and assuming that no further TOM Online Shares are issued prior to the date of the EGM, the Board will be able to grant Options under the Share Option Scheme for subscription of up to 280,000,000 TOM Online Shares, which do not include those Options that are outstanding, cancelled or lapsed as at the EGM. The refreshment of the 10 per cent. limit is conditional upon the approval by the Shareholders at the EGM. The Directors consider that the refreshment of the 10 per cent. limit is in the interests of TOM Online, the Company and the Shareholders as a whole as it enables TOM Online to grant Options to participants in its Share Option Scheme to reward and motivate them to strive for the future developments and expansion of the Group.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any), and predetermined performance targets (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

The TOM Online Board does not have any immediate intention to grant Options under the Share Option Scheme following the refreshment of the 10 per cent. limit.

Any refreshment of the 10 per cent. limit will not permit any further Options to be granted pursuant to the Pre-IPO Share Option Plan as the TOM Online Board cannot grant any further Options under the Pre-IPO Share Option Plan.

PROPOSED CHANGE OF NAME OF THE COMPANY

As announced by the Board on 29 January 2004, the Board proposes to change the name of the Company from its existing name to "TOM Group Limited" and to adopt a Chinese identifying name of "TOM 集團有限公司" upon the change of name of the Company becoming effective. This proposed change of company name is subject to the passing of a special resolution at an extraordinary general meeting of the Shareholders convened to be held at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong at 9:30 a.m. on Monday, 23 February 2004 (or such adjournment thereof), notice of which was set out in the Company's circular to Shareholders dated 30 January 2004.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Monday, 1 March 2004 at 9:00 a.m. is set out on pages 194 to 198 of this circular at which ordinary resolutions will be proposed and, if thought fit, passed to approve the Proposed Spin-Off, the Continuing Connected Transactions, the Pre-IPO Share Option Plan, the Share Option Scheme, the grant of Options under the Pre-IPO Share Option Plan representing more than one per cent. of the issued TOM Online Shares to Mr. Wang Lei Lei and the refreshment of the 10 per cent. limit of the total number of TOM Online Shares to be issued under the Share Option Scheme and any other schemes of TOM Online. All Shareholders are entitled to vote at the EGM (save that (i) Cheung Kong and its Associates will abstain from voting on the resolution to be proposed at the EGM to approve the Tenancy Agreements and (ii) Mr. Wang Lei Lei and his Associates must abstain from voting on the resolution to be proposed of the EGM to approve the grant to him of Options under the Pre-IPO Share Option Plan). However, as noted above, Cranwood has indicated to the Company that it and its Associate will abstain from voting on the resolution in respect of the Proposed Spin-Off. As required under Rule 20.40 of the GEM Listing Rules, the vote at the EGM in respect of the Continuing Connected Transactions will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the Proposed Spin-Off is in the interests of the Company and its Shareholders as a whole and accordingly recommend that the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Proposed Spin-Off. Rothschild, the independent financial adviser to the Shareholders, considers that the Proposed Spin-Off is fair and reasonable so far as the Shareholders are concerned. Accordingly, Rothschild recommends that the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Proposed Spin-Off. The text of the letter from Rothschild containing its advice and the principal factors and reasons taken into account as regards the Proposed Spin-Off is set out on pages 56 to 71 of this circular. The Directors (including the independent non-executive Directors) agree with the advice of Rothschild.

The Independent Board Committee, having taken into account the advice of Rothschild, considers that the terms of the Continuing Connected Transactions are fair and reasonable so far as Independent Shareholders) are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Continuing Connected Transactions.

The Directors (including the independent non-executive Directors) are of the view that the Pre-IPO Share Option Plan, the Share Option Scheme, the grant of Options under the Pre-IPO Share Option Plan representing more than one per cent. of the total issued TOM Online Shares to Mr. Wang Lei Lei and the refreshment of the 10 per cent. limit of the total number of TOM Online Shares to be issued under the Share Option Scheme and any other scheme of TOM Online are in the interest of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that the Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve such matters.

GENERAL

Citigroup and Morgan Stanley have been appointed as Joint Sponsors and Joint Global Coordinators in respect of the Proposed Spin-Off and the Global Offering.

The Board expects that the Prospectus containing, among other things, further details of the business and financial information on TOM Online and on the Assured Entitlements will be issued in due course and will be available to, among others, the Shareholders.

The Prospectus will be issued by TOM Online, which has its principal executive offices located at 8th Floor, Tower W3, Oriental Plaza, No. 1 Dong Chang An Avenue, Beijing, China 100738.

ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase of any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

In connection with the Global Offering, the price of the Offer Shares may be stabilised in accordance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the SFO will be contained in the Prospectus.

Your attention is drawn to the additional information set out in the Appendices to this circular.

Shareholders should note that the Company may or may not proceed with the Proposed Spin-Off in accordance with the terms set out above, or at all. A further announcement will be made as and when appropriate in respect of any material developments of the separate listings of TOM Online on GEM and/or on NASDAQ and/or any material change in the information contained in this circular. The Board emphasises that the specific terms and timing of the Proposed Spin-Off may require certain consents and approvals, including approval from the GEM Listing Committee, relevant US regulatory authorities and the Shareholders, and subject to any further conditions that may be imposed by the GEM Listing Committee and relevant US regulatory authorities. Such consents and approvals may or may not be obtained. Shareholders and potential investors are therefore urged to exercise caution when dealing in the Shares.

Yours faithfully,
By Order of the Board
TOM.COM LIMITED
Sing Wang
Chief Executive Officer
and
Executive Director

TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

14 February 2004

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 14 February 2004 (the "Circular") of the Company of which this letter forms a part. The terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Independent Board Committee, we have been appointed to advise you on whether the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Continuing Connected Transactions are set out in the letter from the Board contained in the Circular.

We wish to draw your attention to the "Letter from Rothschild" to advise us regarding the Continuing Connected Transactions as set out on pages 56 to 71 of the Circular. Having considered the advise given by Rothschild and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the terms of the Continuing Connected Transactions are fair and reasonable so far as Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to ratify and approve the Continuing Connected Transactions.

Yours faithfully
For and on behalf of
Independent Board Committee
Angelina Lee **Henry Cheong** **Anna Wu**
Independent non-executive Directors

Set out below is the text of the letter of advice of Rothschild to all Shareholders in connection with the terms of the Proposed Spin-Off and to the Independent Board Committee in connection with the terms of the Continuing Connected Transactions prepared for inclusion in this circular.

ROTHSCHILD

14 February 2004

To the Shareholders (with regards to the Proposed Spin-Off) and
the Independent Board Committee (with regards to
the Continuing Connected Transactions) of TOM.COM LIMITED

Dear Sir/Madam,

POSSIBLE MAJOR TRANSACTION INVOLVING
THE PROPOSED SPIN-OFF AND SEPARATE LISTINGS OF
TOM ONLINE INC.
ON THE GROWTH ENTERPRISE MARKET
OF THE STOCK EXCHANGE OF HONG KONG LIMITED
AND THE NASDAQ NATIONAL MARKET
AND
CONTINUING CONNECTED TRANSACTIONS

We refer to the Proposed Spin-Off and the Continuing Connected Transactions, details of which are contained in the circular dated 14 February 2004 issued by the Company (the "Circular") of which this letter forms part. Rothschild has been appointed as the independent financial adviser to advise the Shareholders as to whether or not the Proposed Spin-Off is fair and reasonable so far as the Shareholders are concerned and to advise the Independent Board Committee as to whether or not the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

The terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

TOM Online is a "major subsidiary" of the Group for the purpose of the GEM Listing Rules. If the Proposed Spin-Off proceeds, it is expected to result in a material dilution of the Company's interest in TOM Online under Rule 17.39 of the GEM Listing Rules. The Proposed Spin-Off is also expected to constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules. As such, the Proposed Spin-Off is subject to the approval of the Shareholders (other than any Shareholder who is interested in the Proposed Spin-Off and will be required to abstain from voting on the relevant resolution) at the EGM. As Cranwood will be receiving TOM Online Shares prior to the Global Offering as part of the consideration for its sale of Puccini to TOM Online, Cranwood has indicated to the Company that it and its Associates will abstain from voting on the Proposed Spin-Off at the EGM.

N M Rothschild & Sons (Hong Kong) Limited
16th Floor, Alexandra House
16-20 Chater Road, Central
Hong Kong SAR

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(852) 2810-6997

Following completion of the Proposed Spin-Off, certain proposed arrangements between the Remaining TOM Group and the TOM Online Group will constitute connected transactions of the Company under the GEM Listing Rules. The TOM Online Continuing Connected Transactions are conditional on the approval by the Independent Shareholders at the EGM. As required under Rule 20.40 of the GEM Listing Rules, the vote at the EGM in respect of the TOM Online Continuing Connected Transactions will be taken by poll.

In addition, certain members of the Group have entered into three conditional supplemental tenancy agreements (the "Supplemental Tenancy Agreements") and a new tenancy agreement (the "New Tenancy Agreement") with Beijing Orient (a connected person of the Company by virtue of it being an Associate of Cheung Kong) for the lease of certain premises in Beijing Orient Plaza. The Tenancy Agreements are conditional on the approval by the Independent Shareholders at the EGM. As required under Rule 20.40 of the GEM Listing Rules, the vote at the EGM in respect of the Tenancy Agreements will be taken by poll. Cheung Kong and its Associates will abstain from voting on the resolution to be proposed at the EGM to approve the Tenancy Agreements.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations and opinions contained or referred to in the Circular are fair and reasonable and have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. The Directors have collectively and individually accepted full responsibility for information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in the Circular 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 the Circular misleading, and (iii) all opinions expressed in the Circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or any of its subsidiaries or jointly controlled entity.

THE PROPOSED SPIN-OFF

The exact structure of the Proposed Spin-Off will be decided by the Board, but at present it is to be effected by way of Global Offering of new TOM Online Shares which will comprise the Hong Kong Public Offer and the International Offering, and will be accompanied by a separate listing of TOM Online Shares on GEM and a separate quotation of ADSs on NASDAQ. The Global Offering will also include a preferential offering of Reserved Shares to Qualifying Shareholders on an assured basis.

It is presently expected that at least 25% of the then enlarged issued capital of TOM Online as at the Listing Date will be made available under the Global Offering. Details of the Global Offering (including the exact size of the Global Offering and the exact apportionment between the Hong Kong Public Offer and the International Offering) are yet to be finally determined. Upon the successful conclusion of the Global Offering, TOM Online Shares will be listed on GEM and ADSs representing TOM Online Shares will be quoted on NASDAQ.

As the Offer Price for TOM Online Shares has not been determined, Shareholders should note that the information and calculations appearing in the Circular (and in this letter) relating to the potential financial effects of the Proposed Spin-Off are based on certain assumptions which may or may not materialise and are included for illustration purposes only. As stated in the "Letter from the Board" in the Circular, the Offer Price will be determined at a time closer to the Listing Date with reference to, *inter alia*, the then market conditions and estimated market demand for the TOM Online Shares and/or ADSs. As advised by the Company, the net proceeds of the Global Offering (before the exercise of the Over-allotment Option) is currently estimated to be in the range of HK$840 million to HK$1,260 million (the "Preliminary Proceeds Range"). The indicative price range per ADS to be offered under the International Offering is expected to be made available by way of an announcement on the GEM website on or about 23 February 2004 (Hong Kong time).

Shareholders should note that the Board has reserved the right not to proceed with the Proposed Spin-Off if the Board considers, for any reason including, without limitation, the proposed Offer Price and/or the market conditions at the relevant time, that the Proposed Spin-Off should not proceed. **Furthermore, there can be no assurance that the approval for the listing of, and permission to deal, in all the TOM Online Shares in issue and to be issued under the Global Offering on GEM will be granted by the GEM Listing Committee.**

The Proposed Spin-Off and the Global Offering is conditional upon the satisfaction of certain conditions as set out in the paragraph headed "Conditions" in the "Letter from the Board" in the Circular. If any of these are not fulfilled or waived (if applicable) prior to the dates and times to be specified, the Global Offering will lapse and the Proposed Spin-Off and the Global Offering will not proceed.

Further announcements will be made by the Company as and when appropriate to keep Shareholders informed of material developments in relation to the Proposed Spin-Off. **SHAREHOLDERS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES. THERE IS NO ASSURANCE THAT THE PROPOSED SPIN-OFF WILL BE COMPLETED SUCCESSFULLY OR AT ALL.**

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Reasons for and benefits of the Proposed Spin-Off

The Group is a Chinese language media company principally engaged in the provision of multimedia contents and services across multiple distribution platforms in Greater China. Currently, the Group has four main business divisions, namely the Online Media Division, the Publishing Division, the Outdoor Media Division and the Sports & Entertainment Division.

In anticipation of the Proposed Spin-Off, the Company transferred a significant part of its Online Media Division to TOM Online. Immediately after completion of the Proposed Spin-Off, the Company will remain as the single largest shareholder of TOM Online and its Shares will continue to be listed on GEM. TOM Online's primary business activities include the provision of wireless value-added services, online advertising and commercial enterprise solutions in the PRC. We note from the "Letter from the Board" in the Circular that the audited loss attributable to Shareholders under the HK GAAP for the year ended 31 December 2002 was approximately HK$409.6 million, of which an audited loss of approximately HK$49.9 million was contributed by the TOM Online Group. For the year ended 31 December 2003, TOM Online Group's unaudited profit attributable to Shareholders under the HK GAAP was approximately HK$166.6 million.

Through the Proposed Spin-Off, the TOM Online Group will become an independently listed group (whilst remaining as a subsidiary of the Remaining TOM Group) and provide investors an opportunity to value and invest in TOM Online as a pure Internet company. To this end, we concur with the Directors' view that the Proposed Spin-Off would enhance the Group's financing flexibility whereby the TOM Online Group (through the Proposed Spin-Off) will be provided with added flexibility in funding its operations and capital expenditures thus giving it the ability to tailor its capital structure to meet its business funding requirements and greater access to capital markets as a stand-alone entity. We also concur with the Board that the Proposed Spin-Off would (i) allow the Company to realise its investment in TOM Online; (ii) enable the management team of the Group as well as TOM Online, respectively, to be more focused on managing their respective businesses thus enhancing the decision-making process and responsiveness to market changes; (iii) improve the corporate clarity of the businesses and financial status of the Company and TOM Online; and (iv) provide incentives to management and staff of the TOM Online Group to develop its business by making the performance of its business more transparent through the separate bench-marking from the stock performance of TOM Online Shares and linking part of its management's remuneration to its performance through share options. In addition, as further analysed in the section headed "Effects of the Proposed Spin-Off on the Group" below, the Proposed Spin-Off is expected to enhance the net tangible assets, net assets and gearing position of the Group.

As noted in the paragraph headed "Intended use of proceeds" in the "Letter from the Board" in the Circular, the net proceeds of the Global Offering will be used for, among other things, (i) enhancing and expanding TOM Online's content and applications for wireless value-added services, (ii) research and development of new technologies and future upgrading of TOM Online's existing technologies and infrastructure; (iii) sales and marketing activities; (iv) a portion of any contingent payments owed in connection with the acquisition of Puccini; and (v) funding of potential acquisitions and strategic alliances in the wireless value-added services, content and Internet industries in the PRC, if any. As such, the Proposed Spin-Off will provide TOM Online with an additional funding source to finance its planned expansion and reduce TOM Online's reliance on the Company for its funding requirements in the future.

Following implementation of the Proposed Spin-Off, the Remaining TOM Group will continue to focus on publishing (print media), outdoor media and sports and entertainment businesses, together with the Excluded Businesses, while the TOM Online Group will continue to focus on the Internet business in the PRC.

2. Effects of the Proposed Spin-Off on the Group

The exact structure of the Proposed Spin-Off and the Offer Price is yet to be finalised. As such, in analysing the potential financial effects of the Proposed Spin-Off on the Group, we have based our computation on the Preliminary Proceeds Range. It should be noted that the Preliminary Proceeds Range is only a tentative range and is subject to adjustments based on a valuation of the TOM Online Shares at a time closer to the Listing Date, taking into account, among other things, the then conditions of the market and TOM Online Group. In the event that the anticipated minimum net proceeds to be raised from the Global Offering (based on 25.4% of the then enlarged issued capital of TOM Online available under the Global Offering) falls below the lower end of the Preliminary Proceeds Range, the Company will issue an announcement prior to the EGM confirming whether the Board and Rothschild, after assessing the effects of the Proposed Spin-Off under the final proceeds range, considers the final proceeds range of the Global Offering to be in the interest of the Company and its Shareholders and whether Rothschild's recommendation contained in the Circular remains unchanged, otherwise, a new EGM will be convened and a new Shareholder circular will be issued accordingly.

The expected financial effects of the Proposed Spin-Off calculated based on the Preliminary Proceeds Range are set out in the paragraph headed "Financial effects of the Proposed Spin-Off" in the "Letter from the Board" in the Circular and are discussed below.

(i) Net tangible assets and net assets

Set out below is a summary of the pro forma financial effects (based on HK GAAP) on the net tangible assets and net assets of the Group as extracted from the unaudited pro forma statement of the adjusted combined net tangible assets and net assets of the Group as set out in paragraph 1 of Appendix III to the Circular.

Net tangible assets	*HK$ million (approximate)*	Per Share *HK cents (approximate)*
Unaudited pro forma adjusted combined net tangible assets of the Group before the Proposed Spin-Off	411.7	10.61
Increase in the net tangible assets of the Group arising from the Proposed Spin-Off	556.7 – 866.4	14.36 – 22.34
Unaudited pro forma adjusted combined net tangible assets of the Group immediately following the Proposed Spin-Off	968.4 – 1,278.1	24.97 – 32.95

Net assets	*HK$ million (approximate)*	Per Share *HK cents (approximate)*
Unaudited pro forma adjusted combined net assets of the Group before the Proposed Spin-Off	1,576.1	40.64
Increase in the net assets of the Group arising from the Proposed Spin-Off	562.2 – 871.8	14.50 – 22.48
Unaudited pro forma adjusted combined net assets of the Group immediately following the Proposed Spin-Off	2,138.3 – 2,447.9	55.14 – 63.12

Note:

The above tables should be read in conjunction with the notes to the unaudited pro forma statement of the adjusted combined net tangible assets and net assets of the Group as set out in paragraph 1 of Appendix III to the Circular.

The substantial increase in the unaudited pro forma adjusted combined net tangible assets and unaudited pro forma adjusted combined net assets of the Group immediately following the Proposed Spin-Off as shown in the tables above is mainly due to the issue of the Offer Shares under the Global Offering at an estimated offer price that is significantly higher than the underlying net tangible assets and net assets of the TOM Online Group (the above increase has also taken into account the dilution effect from the issue of the Initial Consideration Shares which are not part of the Offer Shares). On this basis, we are of the view that the Group and the Shareholders will benefit from an improvement in the net tangible assets and net assets of the Group resulting from the Proposed Spin-Off.

(ii) Gearing

Based on the audited financial information of the Group as disclosed in the circular to Shareholders dated 3 November 2003 and taking into account the change in net cash position as a result of the net proceeds raised from the placing of new Shares on 3 July 2003 and the net increase in borrowings arising from the issue of the Convertible Bonds on 28 November 2003, the Group's unaudited adjusted net cash position (being cash and bank balances less interest bearing borrowings) was approximately HK$372.2 million. Taking into account the lower end of the Preliminary Proceeds Range to be raised from the Global Offering, the Group's net cash position immediately after the Global Offering would be further increased to approximately HK$1,212.2 million. We believe that such increase in the net cash position of the Group to be in the interest of the Shareholders.

(iii) Earnings

Set out below is a summary of the pro forma financial analysis of the loss attributable to Shareholders and the loss per Share prepared on the assumption that the Global Offering was completed on 1 January 2002 and does not take into account any interest income that may be generated from the proceeds from the Global Offering, and the profit of approximately HK$562.2 million to HK$871.8 million arising from the deemed disposal by the Company of its interest in TOM Online based on the Preliminary Proceeds Range as a result of the Proposed Spin-Off.

			Per Share	
	Year ended 31 December 2002 (Audited) *HK$ million (approximate)*	Nine months ended 30 September 2003 (Unaudited) *HK$ million (approximate)*	Year ended 31 December 2002 (Audited) *HK cents (approximate)*	Nine months ended 30 September 2003 (Unaudited) *HK cents (approximate)*
Loss attributable to Shareholders for the respective year/period before the Proposed Spin-Off	409.6	14.2	12.41	0.41
If TOM Online's net proceeds from Global Offering are approximately HK$840 million				
Adjusted by:				
Approximately 29.0% share of net loss for the year ended 31 December 2002 and net profit for the year ended 31 December 2003 attributable to shareholders of TOM Online	(14.5)	48.3	(0.44)	1.38
Unaudited pro forma combined loss attributable to Shareholders for the respective year/period after the Proposed Spin-Off	395.1	62.5	11.97	1.79
If TOM Online's net proceeds from Global Offering are approximately HK$1,260 million				
Adjusted by:				
Approximately 28.2% share of net loss for the year ended 31 December 2002 and net profit for the year ended 31 December 2003 attributable to shareholders of TOM Online	(14.1)	47.0	(0.43)	1.34
Unaudited pro forma combined loss attributable to Shareholders for the respective year/period after the Proposed Spin-Off	395.5	61.2	11.98	1.75

Note:

The above analysis was calculated based on certain assumptions, amongst others, the Preliminary Proceeds Range and should be read in conjunction with the notes set out in the paragraph headed "Financial effects of the Proposed Spin-Off – Effect on earnings" in the "Letter from the Board" in the Circular.

The reduction of the unaudited pro forma combined loss attributable to Shareholders for the year ended 31 December 2002 and the increase of the unaudited pro forma combined loss attributable to Shareholders for the nine months ended 30 September 2003 was due to the reduction of the Group's share of unaudited pro forma combined loss of approximately HK$49.9 million for the year ended 31 December 2002 and the unaudited pro forma combined profit of approximately HK$166.6 million for the year ended 31 December 2003 in the TOM Online Group as a result of the dilution of interest in TOM Online from 100% to a range of approximately 71.0% to approximately 71.8% after the issue of the Initial Consideration Shares to Cranwood and the Proposed Spin-off and Global Offering (assuming that the Over-allotment Option is not exercised). However, it should be noted that the above analysis has not taken into account potential benefits of the Proposed Spin-Off such as new opportunities that are consequential to the availability of the proceeds from the Global Offering and the separate listing status of TOM Online.

On the above basis and after taking into account the improvement in the Group's financial position (namely, the net tangible assets, net assets, gearing ratio and working capital (as analysed below)), we consider that the dilution effect on earnings to be acceptable to the Shareholders.

(iv) Working capital

As disclosed in the paragraph headed "Intended use of proceeds" in the "Letter from the Board" in the Circular, the net proceeds to be raised from the Global Offering are estimated to be in the range of HK$840 million to HK$1,260 million. In view of the fact that fresh capital will be raised from the Global Offering and TOM Online shall remain a subsidiary of the Company after the Global Offering, we concur with the Directors that the working capital position of the Group would be improved as a result of the Global Offering.

(v) Shareholding

Currently, TOM Online is a wholly-owned subsidiary of the Company. It is expected that the Company's percentage interest in the share capital of TOM Online will be reduced from the current level of 100% to a range of approximately 96.3% to 97.5% immediately after the issue of the Initial Consideration Shares and further reduced to a range of approximately 71.0% to 71.8% immediately after the issue of Initial Consideration Shares to Cranwood and the Global Offering (without taking into account the exercise of the Over-allotment Option). Such percentage interest may be further reduced upon the exercise of the Over-Allotment Option and options to be granted under the Pre-IPO Share Option Plan and the Share Option Scheme. Please refer to the paragraph headed "Effects of the Proposed Spin-Off" in the "Letter from the Board" in the Circular for the simplified shareholding structure chart of TOM Online immediately following completion of the Proposed Spin-Off (taking into account the issue of the Initial Consideration Shares to Cranwood).

TOM Online will remain a subsidiary of the Company and its financial results will continue to be consolidated into the accounts of the Group.

(vi) Remaining business

After the Proposed Spin-Off, in addition to its remaining interest in the TOM Online Group, the Group will continue its existing businesses in the Publishing Division, the Outdoor Media Division, the Sports & Entertainment Division and the Excluded Businesses. The Publishing Division is one of the leading publishers in Greater China with annual magazine circulation of approximately 70 million copies and has approximately 18,000 book titles with 15 million books published annually. The Outdoor Media Division consists of one of the largest outdoor media networks with over 190,000 square metres of advertising space and a leading outdoor advertising company in the PRC. The Sports & Entertainment Division is the PRC's largest domestic sports marketing company with 20 million audio-visual products distributed annually. Based on the Company's annual report for the year ended 31 December 2002, the interim report for the six months ended 30 June 2003 and the third quarterly report for the nine months ended 30 September 2003, the combined turnover generated by the Publishing Division, the Outdoor Media Division, and the Sports & Entertainment Division accounted for approximately 84.2% and 74.0% of the total turnover of the Group for the year ended 31 December 2002 and the nine months ended 30 September 2003, respectively. The net assets of the TOM Online Group under the HK GAAP as at 31 December 2003 (as set out in Appendix II to the Circular) was approximately US$15.0 million (equivalent to approximately HK$117.3 million) which is substantially smaller than the unaudited pro forma adjusted combined net assets of the Group before the Proposed Spin-Off of approximately HK$1,576.1 million as extracted from the unaudited pro forma statement of the adjusted combined net assets of the Group set out in paragraph 1 of Appendix III to the Circular. Based on the foregoing and taking into account that the TOM Online Group will still remain a subsidiary of the Company, we consider that the Remaining TOM Group remains to have a viable business after the Proposed Spin-Off, generating a diversified revenue mix.

We note from the "Letter from the Board" in the Circular that, following the Proposed Spin-Off, TOM Online will continue to be a subsidiary of the Company and there will be a clear delineation between the businesses of the Remaining TOM Group and the TOM Online Group. We noted that after the completion of the Proposed Spin-Off, the TOM Online Group would function independently of the Remaining TOM Group with respect to its businesses and operations, directorship and management. Further details of which are set out in the "Letter from the Board" in the Circular.

Of the six executive directors and five non-executive directors of TOM Online, one executive director (namely Mr. Wang Lei Lei) is also a non-executive Director and two non-executive directors (namely Mr. Wang Sing and Ms. Tommei Tong) are also executive Directors and one non-executive director (namely Mr. Frank Sixt) is also a non-executive Director of the Company. We consider the composition of the board of directors of TOM Online (whereby the two companies do not have common executive directors) reflects the interest of the Company as well as its support to TOM Online as a subsidiary of the Company, hence, we concur with the Board's view that the Proposed Spin-Off can enable the management team of the Company to be more focused on building its cross-media platform, thus enhancing the decision making process and its responsiveness to market changes. The Proposed Spin-Off is not expected to have an adverse impact on the management of the Remaining Tom Group.

3. Non-competition undertakings

In connection with the Proposed Spin-Off and in order to assist with a clear delineation between the businesses of the Remaining TOM Group and the TOM Online Group, the Company and TOM Online will enter into a deed of non-competition (please refer to the paragraph headed "Non-competition undertakings" in the "Letter from the Board" in the Circular for details). Such undertaking will take effect on the Listing Date and will terminate on the later of (i) the date the Company ceases to hold directly or indirectly, 30% or more of TOM Online's issued share capital, or (ii) the second anniversary of the date of the deed of non-competition. However, it should be noted that the terms of the deed of non-competition are subject to finalisation of the parties involved. Detailed terms of the deed of non-competition will be set out in the Prospectus.

On the basis that (i) TOM Online will remain a subsidiary of the Group and the financial results of TOM Online will continue to be consolidated into the accounts of the Group after completion of the Global Offering; (ii) the Remaining TOM Group and the TOM Online Group have different and separate focus in terms of operations, markets and business plans; and (iii) taking into account that the purpose of such non-competition undertakings is to ensure that the interests of minority shareholders in each of the listed companies are protected, we consider that the non-competition undertaking would not adversely affect the Remaining TOM Group as it will have sufficient operations and assets as a separate listed entity.

4. Assured Entitlements

In addition to their indirect interest in TOM Online through the Company, Qualifying Shareholders will be offered an opportunity to participate in the Global Offering on a preferential basis as to allocation only if they choose to apply for Reserved Shares on an assured basis in the Preferential Offer (in addition to any application for the Offer Shares as part of the Hong Kong Public Offer generally). The Assured Entitlement provision will be satisfied by way of preferred application for Reserved Shares.

The number of TOM Online Shares available under the Preferential Offer (as part of the Global Offering) is expected to represent approximately 3.9% of the Global Offering and approximately 1.0% of the total enlarged issued share capital of TOM Online upon completion of the Global Offering (assuming that the Initial Consideration Shares are issued and that the Over-allotment Option is not exercised).

The procedure for application for Assured Entitlements will be set out in the Prospectus and in the blue application form.

5. The Proposed Continuing Connected Transactions

(i) TOM Online Continuing Connected Transactions

There are currently certain agreements in place between the Remaining TOM Group and the TOM Online Group which will constitute continuing connected transactions as defined under the GEM Listing Rules following the completion of the Proposed Spin-Off. Since these transactions will be undertaken in the normal course of business of the Company and will occur on a regular basis, the Company has applied to the Stock Exchange for a waiver from the announcement and shareholders' approval requirements as required under the GEM Listing Rules. The Stock Exchange has indicated that such waiver, if granted, will be effective until 31 December 2006, and is subject to the satisfaction of various conditions, inter alia, the approval of the Independent Shareholders in respect of the TOM Online Continuing Connected Transactions at the EGM.

We set out below a summary of each of the TOM Online Continuing Connected Transactions, further details of which are set out in the "Letter from the Board" in the Circular.

(a) Media services agreement

Pursuant to the media services agreement entered into between TOM Online and TOM.COM INTERNATIONAL, TOM.COM INTERNATIONAL agreed to provide, and/or use reasonable endeavours to procure the provision of certain goods and services to the TOM Online Group on a non-exclusive basis, including print and publishing services, advertising services or other marketing or promotional services in relation to the television channel operated by China Entertainment Television Broadcast Limited (the "Media Services").

Based on our discussions with the Company, we note that the media services agreement was entered into after arm's length negotiations between the parties involved and the fees for such services will be calculated with reference to the market rate for the provision of the relevant goods and services (being rates equivalent to rates offered by the Remaining TOM Group to independent third parties). In addition, the

Directors have confirmed that the Media Services provided up to 31 December 2003 by the Remaining TOM Group were on commercial terms or on terms that are no less favourable to the TOM Online Group than those available from independent third parties.

The annual fee caps for the Media Services are HK$3 million for 2004, HK$4 million for 2005 and HK$5 million for 2006. We have discussed with the management of the Company the basis upon such caps were determined and noted that these caps have been determined based on the Group's internal projection of contracts expected to be signed with the TOM Online Group (details of such projection has been set out in the "Letter from the Board" of the Circular) for the provision of the Media Services by the Remaining TOM Group. Since the Media Services provided up to 31 December 2003 by the Remaining TOM Group have been limited and minimal (equivalent to approximately HK$650,000), we have not been able to compare the historical records with the projection in assessing the reasonableness of the caps. As such, we have compared these caps as a percentage of the turnover of the Group for the year ended 31 December 2002. On the basis that the caps for 2004, 2005 and 2006 represent only approximately 0.2%, 0.3% and 0.3% of the turnover of the Group for the year ended 31 December 2002 respectively and that the provision the Media Services will be calculated with reference to the market rate, we consider the caps to be fair and reasonable so far as the Independent Shareholders are concerned.

(b) Online media services agreement

Pursuant to the online media services agreement entered into between TOM Online and TOM.COM INTERNATIONAL, TOM Online agree to provide and/or procure the provision of certain goods and services to the Remaining TOM Group on a non-exclusive basis including content, mobile communication, infotainment services or related telecommunication services, website development maintenance and hosting services, and online advertising services (the "Online Media Services").

Based on our discussions with the Company, we note that the online media services agreement was entered into after arm's length negotiations between the parties involved and the fees for such services will be calculated with reference to the market rate for the provision of the relevant goods and services (being rates equivalent to rates offered by the TOM Online Group to independent third parties). In addition, the Directors have confirmed that the Online Media Services provided up to 31 December 2003 by the TOM Online Group were on commercial terms or on terms that are no less favourable to the Remaining TOM Group than those available from independent third parties.

The annual fee caps for the Online Media Services are HK$1 million for 2004, HK$1.5 million for 2005 and HK$2 million for 2006. We have discussed with the management of the Company the basis upon such caps were determined and noted that these caps have been determined based on the Group's internal projection of contracts expected to be signed with the Remaining TOM Group (details of such projection has been set out in the "Letter from the Board" of the Circular) for the provision of the Online Media Service to the Remaining TOM Group. Since the Online Media Services provided up to 31 December 2003 to the Remaining TOM Group have been limited and minimal (equivalent to approximately HK$540,000 during the six months ended 31 December 2003), we have not been able to compare the historical records with the projection in assessing the reasonableness of the caps. As such, we have compared these caps as a percentage of the cost of sales of the Group for the year ended 31 December 2002. On the basis that the caps for 2004, 2005 and 2006 represent only approximately 0.1%, 0.2% and 0.2% of the cost of sales of the Group for the year ended 31 December 2002 respectively and that the provision the Online Media Services will be calculated with reference to the market rate, we consider the caps to be fair and reasonable so far as the Independent Shareholders are concerned.

(c) Financial assistance to the TOM Online Group

To date, the TOM Online Group has primarily financed its operations through capital contribution and advances from the Company. Each of Laurstinus Limited, Lahiji Vale Limited and Advanced Internet Services Limited entered into a separate loan agreement with the Company on 21 September 2003, pursuant to which the Company provided each of Laurstinus Limited, Lahiji Vale Limited and Advanced Internet Services Limited with a loan for the financing of their general operations, in the amount of approximately HK$12,800,000, HK$67,600,000 and HK$75,900,000 respectively. Each of Laurstinus Limited, Lahiji Vale Limited and Advanced Internet Services Limited are wholly-owned subsidiaries of TOM Online. These three loans (the "Loans") are unsecured, interest bearing at an interest rate of 1.65% per annum over Hong Kong Dollar Interbank Offered Rates ("HIBOR") with effect from 1 January 2004, repayable after 31 December 2004 and do not have any fixed repayment terms.

In assessing the interest rate of the Loans, we have tried to compare the interest rate of the Loans with the other external borrowings of the Group that are denominated in Hong Kong dollars as at the Latest Practicable Date. Based on our discussion with the management of the Company, we note that the Group does not have any Hong Kong dollars denominated external borrowings other than the loans from its substantial Shareholders of HK$850 million. As such, we have compared the interest rate of the Loans with the interest rate of the shareholders loans since it is not appropriate to make comparison of interest rate with borrowings denominated in different currencies. We consider that the interest rate margin of 1.65% over HIBOR (which is higher than the interest rate margin of 0.5% under the existing shareholders loans of the Group) is in the interest of the Group.

On the basis that (a) the TOM Online Continuing Connected Transactions are expected to be entered into and carried out in the ordinary course of business of the Company (except for the Loans); (b) the terms of the TOM Online Continuing Connected Transactions will be on normal commercial terms calculated with reference to market rates; and (c) the interest rate margin of the Loans are above the interest rate margin under the existing shareholders loans of the Group, we are of the view that the terms of the TOM Online Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Tenancy Agreements

On 2 July 2003, the Group entered into three tenancy agreements with Beijing Oriental in relation to the leasing of office spaces in Beijing Oriental Plaza for the Group's use in Beijing (the "Original Tenancy Agreements"), details of which have been set out in a circular to Shareholders dated 18 July 2003. The Original Tenancy Agreements were approved by the Shareholders (other than Cheung Kong and its Associates) in a general meeting held on 5 August 2003.

We note from the "Letter from the Board" that the TOM Online Group has renegotiated the terms of the existing leases as a result of a decrease in the market rental price of the property market in Beijing and has conditionally entered into the Supplemental Tenancy Agreements to restrospectively revise certain terms of the Original Tenancy Agreements, including the reduction of rental rate to US$17.5 per square metre per month. Pursuant to the Supplemental Tenancy Agreements, the effective rental rate (after taking into account the rent free period) will be reduced from approximately US$14.2 per square metre per month to approximately US$13.1 per square metre per month, representing a reduction of approximately 7.7%. Based on our discussions with the management of the Company, we understand that such changes in the rental rate would have an impact of reducing TOM Online's rental expense by approximately US$202,000 (equivalent to approximately HK$1,576,000) for the entire lease period.

In addition, LTWJi (a subsidiary of TOM Online) has conditionally entered into the New Tenancy Agreement dated 13 February 2004 for the lease of certain premises in Beijing Oriental Plaza for the period from 1 January 2004 to 14 August 2006 under rental rate of US$17.5 per square metre per month (being the same rental rate as the Supplement Tenancy Agreements) for the purpose of expanding its business. The effective rental rate (after taking into account of the rent free period under the New Tenancy Agreement which is shorter to reflect the shorter lease term as compered with the Supplemental Tenancy Agreement) is approximately US$14.1 per square metre per month. Further details of the Tenancy Agreements are set out in the paragraph headed "Tenancy Agreements" in the "Letter from the Board" in the Circular.

The annual caps for each of the Tenancy Agreements are set out in the paragraph headed "Proposed Continuing Connected Transactions – TOM Online Continuing Connected Transactions – Tenancy Agreements" in the "Letter from the Board" in the Circular. We have discussed with the management of the Company the basis upon such caps were determined and noted that these caps represent the total annual rental and monthly management fee payable to Beijing Orient under each of the Tenancy Agreements in each calendar year. As such, we consider the caps to be fair and reasonable so far as the Independent Shareholders are concerned.

The Directors have confirmed that the Tenancy Agreements were entered into after arm's length negotiations between the parties involved. In assessing the terms of the Tenancy Agreements, we have reviewed rental rates for comparable premises in Beijing Orient Plaza and in Beijing and note that the rental rates charged by Beijing Orient under the Tenancy Agreements are in line with the market rental rates. On the basis that the rental rates are in line with the market rental rates and in particular, the Group has successfully re-negotiated the rental rates of the Original Tenancy Agreements and there will be a reduction of TOM Online's rental expense of approximately US$202,000 (equivalent to approximately HK$1,576,000) for the entire lease period, we consider that the terms of the Tenancy Agreements to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider the Proposed Spin-Off to be fair and reasonable so far as the Shareholders are concerned and the Continuing Connected Transactions to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise (i) the Shareholders to vote in favour of ordinary resolution numbered 1 to approve the Proposed Spin-Off and (ii) the Independent Board Committee to recommend the Independent Shareholders to vote in favour of ordinary resolutions numbered 2 and 3 to approve the Continuing Connected Transactions, as detailed in the "Notice of the EGM" which is set out at the end of the Circular.

Yours very truly,
For and on behalf of
N M Rothschild & Sons (Hong Kong) Limited

Liu Xiao-feng
Director

1. SHARE CAPITAL

(i) Shares

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued:		
3,878,261,817	Shares *(Note)*	387,826,181.70

Note: The Group has entered into certain conditional sale and purchase agreements in relation to the following acquisitions, which involve issuance of new Shares and such Shares have not been issued as at the Latest Practicable Date.

Date of the agreement	**Transaction**	**Number of new Shares may be issued (subject to adjustments)**
28 January 2002 (as amended)	Acquisition of an aggregate of 70% of the equity interest in Qingdao Chunyu Advertising Chuanbo Company Limited	8,593,295
5 March 2002	Acquisition of an aggregate of 50% of the equity interest in Hong Xiang New Co.	13,719,777

As at the Latest Practicable Date, all the existing Shares rank pari passu in all respects including as to dividends, voting and interests in capital.

(ii) Convertible bonds

On 28 November 2003, TOM Holdings Limited, a wholly-owned subsidiary of the Company, issued convertible bonds ("Convertible Bonds") in the aggregate principal amount of US$150,000,000. The Convertible Bonds, bearing interest at the rate of 0.50% per annum, are convertible into Shares at an initial conversion price of HK$3.315 per Share (subject to adjustment) from and including 8 January 2004 up to the close of business on 14 November 2008. The Convertible Bonds were listed on the Luxembourg Stock Exchange on 28 November 2003.

As at the Latest Practicable Date, no Convertible Bonds have been converted into Shares. Based on the initial conversion price of HK$3.315 per Share, the Convertible Bonds are convertible into a maximum of 352,941,176 Shares.

(iii) Options

As at the Latest Practicable Date, options to subscribe for an aggregate of 200,757,000 Shares granted pursuant to the pre-IPO share option plan and the share option scheme of the Company were outstanding, details of which are set out in Appendix V of this circular.

Save as disclosed herein, except for the options granted under the pre-IPO share option plan and the share option scheme of the Company which are outstanding, the Company has no outstanding securities convertible into Shares, and no other share or loan capital of the Company has been put under option or agreed conditionally or unconditionally to be put under option.

2. UNAUDITED CONSOLIDATED RESULTS FOR THE GROUP

Set out below is an extract of the financial information of the Group from its third quarterly report based on HK GAAP for the nine months ended 30 September 2003:

		Three months ended 30 September		Nine months ended 30 September	
		2003	**2002**	**2003**	**2002**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover		456,433	451,553	1,323,375	1,130,771
Cost of sales		(237,481)	(265,929)	(747,517)	(702,807)
Interest income		4,265	1,323	5,479	4,532
Selling and marketing expenses		(45,569)	(43,843)	(133,552)	(129,681)
Administrative expenses		(49,887)	(64,102)	(152,622)	(165,770)
Other operating expenses		(89,472)	(81,295)	(269,294)	(211,931)
Operating profit/(loss)		38,289	(2,293)	25,869	(74,886)
Finance costs		(4,114)	(5,433)	(13,725)	(13,681)
Share of losses of jointly controlled entities		(857)	(8,645)	(5,855)	(25,806)
Share of profits less losses of associated companies		556	190	1,288	(122)
Profit/(loss) before taxation		33,874	(16,181)	7,577	(114,495)
Taxation	2	(10,120)	(15,855)	(11,974)	(39,818)
Profit/(loss) after taxation		23,754	(32,036)	(4,397)	(154,313)
Minority interests		(5,304)	(12,099)	(9,827)	(14,329)
Profit/(loss) attributable to shareholders		18,450	(44,135)	(14,224)	(168,642)
Earnings/(loss) per share	3				
Basic		HK0.49 cents	HK(1.34) cents	HK(0.41) cents	HK(5.12) cents
Diluted		HK0.48 cents	N/A	N/A	N/A

Notes:

1. **BASIS OF PREPARATION OF THE ACCOUNTS**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention except that certain investment securities are stated at fair value. The Group has adopted the new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") which became effective on 1 January 2003. 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. **TAXATION**

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong profits tax	–	(4,264)	–	(5,057)
Overseas taxation	(8,973)	(10,090)	(20,653)	(28,556)
Over-provision in prior years	3,408	–	5,045	–
Deferred taxation	(4,555)	(1,501)	3,634	(6,205)
	(10,120)	(15,855)	(11,974)	(39,818)

3. **EARNINGS/(LOSS) PER SHARE**

(a) **Basic**

The calculation of the basic earnings/(loss) per share for the three months and nine months ended 30 September 2003 is based on the respective unaudited consolidated profit attributable to shareholders of HK$18,450,000 and unaudited consolidated loss attributable to shareholders of HK$14,224,000 (2002: unaudited consolidated loss attributable to shareholders of HK$44,135,000 and HK$168,642,000) and the weighted average number of 3,789,230,372 and 3,488,212,188 (2002: 3,303,021,737 and 3,294,768,001) ordinary shares outstanding during the periods.

(b) **Diluted**

The calculation of the diluted earnings per share for the three months ended 30 September 2003 is based on the unaudited consolidated profit attributable to shareholders of HK$18,450,000 and the weighted averaged number of 3,834,230,827 ordinary shares, after adjusting for the effects of all dilutive potential shares during the period.

The exercise of share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months ended 30 September 2002 and nine months ended 30 September 2003 and 30 September 2002.

4. **DIVIDENDS**

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

5. MOVEMENT OF RESERVES

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserves HK$'000	Revaluation reserve HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2002	2,231,099	(377)	776	139	–	(547)	(1,978,761)	252,329
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	70,391	–	–	–	–	–	–	70,391
Exercise of share options, net of issuing expenses	18,537	–	–	–	–	–	–	18,537
Investment revaluation deficit	–	–	–	–	(1,741)	–	–	(1,741)
Loss for the period	–	–	–	–	–	–	(168,642)	(168,642)
Exchange difference	–	–	–	–	–	40	–	40
At 30 September 2002	2,320,027	(377)	776	139	(1,741)	(507)	(2,147,403)	170,914

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	General reserves HK$'000	Revaluation reserve HK$'000	Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	2,333,916	(377)	776	343	–	(802)	(2,388,544)	(54,688)
Issuance of shares for acquisition of subsidiaries, net of issuing expenses	249,139	–	–	–	–	–	–	249,139
Placement of shares, net of issuing expenses	951,270	–	–	–	–	–	–	951,270
Investment revaluation surplus	–	–	–	–	18,616	–	–	18,616
Loss for the period	–	–	–	–	–	–	(14,224)	(14,224)
Transfer to general reserves	–	–	–	15,201	–	–	(15,201)	–
Exchange difference	–	–	–	62	–	3,441	–	3,503
At 30 September 2003	3,534,325	(377)	776	15,606	18,616	2,639	(2,417,969)	1,153,616

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Available for Inspection" in Appendix V to this circular, a copy of the accountants' report is available for inspection.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

The Directors
TOM.COM LIMITED

February 14, 2004

The Directors
TOM Online Inc.

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") of the Group as defined in Note 1 in this report for each of the years ended December 31, 2001, 2002 and 2003 (the "Relevant Periods") and as at December 31, 2001, 2002 and 2003 for inclusion in the circular of TOM.COM LIMITED ("TOM") dated February 14, 2004 (the "Circular") in connection with the proposed spin-off and separate listings of the shares of TOM Online Inc. (the "Company") on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") and the National Market of National Automated Systems Dealership and Quotation (the "NASDAQ") in the United States of America.

The Company was incorporated in the Cayman Islands on August 28, 2001 under the name of PC Rock Industry Limited as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. On September 4, 2003, the Company changed its name to TOM Online Inc. As discussed in Note 1 in this report, the Core Internet Business Entities, the Non-core Internet Business Entities together with the Excluded Business Entities constituted one of the four business segments, the online business segment, of the Company's ultimate holding company, TOM. Pursuant to the reorganization on September 26, 2003 as detailed in Note 1 in this report (the "Reorganization"), TOM transferred the Core Internet Business Entities to the Company. Subsequent to the Reorganization, TOM retained the Non-core Internet Business Entities and the Excluded Business Entities. For the purpose of this report, both Core Internet Business Entities and the Non-core Internet Business Entities are included in the Financial Information for the Relevant Periods, except that the financial positions and the results of operations of the Non-core Internet Business Entities are included up to September 26, 2003.

As at the date of this report, the Company has direct and indirect interests in the Core Internet Business Entities and Puccini International Limited ("Puccini"), which was acquired by the Group on November 19, 2003 (please see Note 1 for details). The consolidated financial statements of Puccini and its controlled entities (the "Puccini Group") have been included in the Financial Information presented below from the date of acquisition of the Puccini Group.

All companies now comprising the Group have adopted December 31 as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as it has not been involved in any significant business transactions since its incorporation other than the Reorganization. We have, however, reviewed all relevant transactions of the Company since its incorporation, and carried out such procedures as are necessary.

Details of the auditors of the Company, Core Internet Business Entities, the Non-core Internet Business Entities and the Puccini Group are set out in Note 22(q) in this report. No audited financial statements have been prepared for some of these companies now comprising the Group as they were not subject to any statutory audit requirements in their respective jurisdictions of incorporation/establishment.

For the purpose of the application for listing of the Company's securities on the NASDAQ National Market in the United States of America, the directors of the Company have prepared the historical consolidated financial statements of the Group under the accounting principles generally accepted in the United States of America, for the Relevant Periods (the "US GAAP Financial Statements"). We have audited the US GAAP Financial Statements in accordance with the auditing standards generally accepted in the United States of America. The Financial Information as set out below has been prepared based on the US GAAP Financial Statements on the basis set out in Notes 1 and 2 in this report. We have examined the audited US GAAP Financial Statements for the Relevant Periods and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The directors of the Company are responsible for the US GAAP Financial Statements and the Financial Information which give a true and fair view. In preparing these statements, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, and prepared in accordance with US GAAP and on the basis set out in Notes 1 and 2 in this report, gives a true and fair view of the consolidated state of affairs of the Group as of December 31, 2001, 2002 and 2003 and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

CONSOLIDATED BALANCE SHEETS

	Note(s)	December 31, 2001	2002	2003
		(in thousands of U.S. dollars)		
Assets				
Current assets:				
Cash and cash equivalents		5,320	6,752	22,636
Restricted cash		4,030	–	–
Accounts receivable, net	22(i)	5,370	8,003	14,689
Deferred costs	21	–	–	15,000
Prepayments		2,545	1,909	1,405
Deposits and other receivables	6	337	416	935
Due from related parties	22(k)	1,447	460	124
Inventories		226	1,522	29
Total current assets		19,275	19,062	54,818
Long-term prepayment and deposits		1,088	994	565
Property and equipment, net	8, 22(l)	2,960	5,518	7,094
Deferred tax assets	15	–	–	274
Goodwill, net	9	1,949	–	214
Intangibles, net	10	354	–	4,411
Total assets		25,626	25,574	67,376
Liabilities and shareholders' (deficit)/equity				
Current liabilities:				
Accounts payable	22(j)	2,819	2,926	3,241
Other payables and accruals	11	5,198	3,838	22,195
Income tax payable		–	–	401
Deferred revenue		2,813	1,734	414
Consideration payable		–	–	6,580
Short-term bank loan	12	3,615	–	–
Total current liabilities		14,445	8,498	32,831
Due to related parties	22(k)	11,801	26,316	19,983
Total liabilities		26,246	34,814	52,814
Minority interests		613	224	152
		26,859	35,038	52,966
Commitments and contingencies	19			
Shareholders' (deficit)/equity:				
Share capital	17	3,590	3,590	3,590
Paid-in capital	17	93,018	93,184	75,551
Accumulated other comprehensive loss		(12)	(55)	(55)
Accumulated deficit		(97,829)	(106,183)	(64,676)
Total shareholders' (deficit)/equity		(1,233)	(9,464)	14,410
Total liabilities and shareholders' (deficit)/equity		25,626	25,574	67,376

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)/INCOME

	Note	Year ended December 31, 2001	2002	2003
		(in thousands of U.S. dollars)		
Revenues:				
Wireless value-added services		30	9,958	55,843
Advertising		2,950	4,228	5,845
Commercial enterprise solutions		1,479	11,244	13,825
Internet access		1,974	4,545	1,560
Total revenues	20	6,433	29,975	77,073
Cost of revenues:				
Cost of goods sold		(59)	(8,143)	(11,291)
Cost of services		(10,849)	(16,731)	(32,794)
Total cost of revenues	20	(10,908)	(24,874)	(44,085)
Gross (loss)/profit		(4,475)	5,101	32,988
Operating expenses:				
Selling and marketing expenses		(5,755)	(3,069)	(2,772)
General and administrative expenses		(8,808)	(7,356)	(9,133)
Product development expenses		(1,085)	(692)	(689)
Amortization of intangibles	10	(8)	(88)	(629)
Provision for impairment of goodwill	9	–	(1,949)	–
Provision for impairment of intangibles	10	–	(266)	–
Provision for impairment of property and equipment	8	(2,960)	–	–
Total operating expenses		(18,616)	(13,420)	(13,223)
(Loss)/income from operations		(23,091)	(8,319)	19,765
Other expenses:				
Net interest expense		(347)	(408)	(320)
(Loss)/income before tax	22(c)	(23,438)	(8,727)	19,445
Income tax (expense)/credit	15	–	(16)	254
(Loss)/income after tax		(23,438)	(8,743)	19,699
Minority interests		294	389	(127)
Net (loss)/income attributable to shareholders		(23,144)	(8,354)	19,572
Other comprehensive loss:				
Foreign currency translation adjustment		(21)	(43)	–
Comprehensive (loss)/income		(23,165)	(8,397)	19,572
(Loss)/earnings per share – basic (cents)	4(p)	(0.827)	(0.298)	0.699

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY

	Number of shares	Share capital	Paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' (deficit)/ equity
			(in thousands of U.S. dollars)			
Balance as of January 1, 2001	2,800,000,000	3,590	78,147	9	(74,685)	7,061
Contribution from shareholders (*)	–	–	14,871	–	–	14,871
Foreign currency translation adjustment	–	–	–	(21)	–	(21)
Net loss	–	–	–	–	(23,144)	(23,144)
Balance as of December 31, 2001	2,800,000,000	3,590	93,018	(12)	(97,829)	(1,233)
Contribution from shareholders (*)	–	–	166	–	–	166
Foreign currency translation adjustment	–	–	–	(43)	–	(43)
Net loss	–	–	–	–	(8,354)	(8,354)
Balance as of December 31, 2002	2,800,000,000	3,590	93,184	(55)	(106,183)	(9,464)
Contribution from shareholders (*)	–	–	1,157	–	–	1,157
Net income	–	–	–	–	19,572	19,572
Reorganization adjustment	–	–	(18,790)	–	21,935	3,145
Balance as of December 31, 2003	2,800,000,000	3,590	75,551	(55)	(64,676)	14,410

* Contribution from shareholders primarily represents contribution of working capital as well as allocation of certain corporate expenses (Note 2).

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2001	2002	2003
	(in thousands of U.S. dollars)		
Cash flow from operating activities			
Net (loss)/income	(23,144)	(8,354)	19,572
Adjustments to reconcile net (loss)/income to net cash (used in)/provided by operating activities:			
Amortization of intangibles	8	88	629
Provision for impairment of goodwill	–	1,949	–
Provision for impairment of intangibles	–	266	–
Provision for impairment of property and equipment	2,960	–	–
Allowance for doubtful accounts	431	781	1,487
Depreciation	2,360	1,865	3,016
Deferred income tax	–	–	(274)
Interest on advances from TOM.COM LIMITED ("TOM") and its subsidiaries	403	435	394
Corporate expenses recharged by TOM	1,464	729	923
Loss on disposal of property and equipment	8	163	91
Minority interests	(294)	(389)	127
Change in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(5,637)	(3,414)	(8,337)
Prepayments	(2,201)	636	(913)
Deposits and other receivables	358	(79)	(568)
Due from related parties	963	987	226
Inventories	(210)	(1,296)	1,493
Long-term prepayment and deposits	(1,088)	94	(361)
Accounts payable	2,102	107	623
Other payables and accruals	438	(1,360)	2,148
Income tax payable	–	–	2
Deferred revenue	2,813	(1,079)	(1,320)
Due to related parties	5,885	3,307	711
Net cash (used in)/provided by operating activities	(12,381)	(4,564)	19,669
Cash flow from investing activities			
Payments for purchase of property and equipment	(2,749)	(4,451)	(4,790)
Proceeds from disposal of property and equipment	–	32	–
Net cash acquired from/(used in) acquisition of subsidiaries	633	(998)	3,721
Loans to related parties	(482)	–	–
Receipt from settlement of loans to related parties	–	482	–
Cash included in Non-core Internet Business Entities (as described in Note 1 of notes to the consolidated financial statements)	–	–	(1,689)
Net cash used in investing activities	(2,598)	(4,935)	(2,758)

CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

	Year ended December 31,		
	2001	**2002**	**2003**
	(in thousands of U.S. dollars)		
Cash flow from financing activities:			
Short-term bank loan	3,615	–	–
Repayment of short-term bank loan	–	(3,615)	–
Restricted cash	(4,030)	4,030	–
Advances from/(repayment to) related parties	11,551	10,559	(1,027)
Cash contribution from minority shareholders	906	–	–
Net cash provided by/(used in) financing activities	12,042	10,974	(1,027)
Net (decrease)/increase in cash and cash equivalents	(2,937)	1,475	15,884
Cash and cash equivalents, beginning of year	8,278	5,320	6,752
Foreign currency translation	(21)	(43)	–
Cash and cash equivalents, end of year	5,320	6,752	22,636
Supplemental disclosures of cash flow information			
Cash (paid)/received during the year:			
Cash paid for income taxes	–	(12)	(22)
Bank interest	56	27	74
Non-cash activities:			
Property and equipment transferred from TOM	–	205	–
Property and equipment transferred to subsidiaries of TOM	–	–	292
Contribution from shareholders	14,871	166	1,157
Professional fees for the proposed listing of the Company	–	–	15,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts expressed in U.S. dollars, unless otherwise stated)

1. Reorganization, Organization and Nature of operations

Reorganization and Organization

TOM Online Inc. (formerly known as PC Rock Industry Limited) (the "Company") was incorporated in the Cayman Islands on August 28, 2001 as a company with limited liability.

The Company is a wholly-owned subsidiary of TOM. As part of the pre-initial public offering ("pre-IPO") corporate reorganization (the "Reorganization"), which was completed on September 26, 2003, TOM transferred to the Company the operations and related assets and liabilities of its wireless value-added services business, online advertising business and commercial enterprise solutions business in China, in contemplation of a listing of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM") and the National Market of National Automated Systems Dealership and Quotation (the "NASDAQ"). TOM was incorporated on October 5, 1999 and its shares became listed on the GEM on March 1, 2000. As of December 31, 2003, TOM was engaged in the online, outdoor media, publishing, sports and entertainment businesses.

Before September 2003, TOM's online business segment (the "TOM Internet Group" or "TIG") consisted of twenty-five business entities providing a wide range of Internet services, wireless value-added services, as well as advertising and commercial enterprise solutions services, in China and Hong Kong. Centering around its portal network services, TIG carried out the following core activities in China: (i) provision of wireless data services (including short messaging, multimedia messaging, wireless application protocol ("WAP"), Internet search, content channels and e-mail); (ii) provision of advertising services; (iii) provision of commercial enterprise solutions services; and (iv) the sale of Internet access cards. Such core activities were operated through a group of seven subsidiaries and two variable interest entities (the "Core Internet Business Entities" or the "Core Operation"). The Core Internet Business Entities are included in these consolidated financial statements.

In September 2003, TOM transferred to the Company its entire equity interest in Bright Horizon Enterprise Limited ("Bright Horizon", formerly known as PC Rock Enterprises Limited) to the Company in contemplation of acquisition of Puccini International Limited and its controlled entities (see Note 5(c)). Bright Horizon is an investment holding company and does not have material assets, liabilities, and operations as of and for each of the three years ended December 31, 2003.

TIG also conducted certain portal and advertising businesses through five subsidiaries and one variable interest entity (the "Non-core Internet Business Entities"). As of December 31, 2003, most of the operations of these entities had been integrated with or moved to the ten entities that had been transferred to the Company and these entities are expected to be wound down, or used by other business segments of TOM to conduct TOM's businesses. These entities were managed by the management group of the Core Internet Business Entities during the periods covered by these consolidated financial statements up to September 26, 2003. Accordingly, these six legal entities were included in these consolidated financial statements up to September 26, 2003.

The remaining ten legal entities of TIG, including certain subsidiaries and investments in joint ventures and associated companies, conduct (i) online services outside China (e.g., Hong Kong) or (ii) non-portal services within China, e.g., marketing, research and customs declaration services, which are not provided by the entities within the Core Operation and are passive investments of TOM. These ten legal entities are referred to as the "Excluded Business Entities". These Excluded Business Entities and their related results of operations are not included in these consolidated financial statements for any period primarily because (i) such businesses have been managed by different management teams from the Core Internet Business Entities; and (ii) such businesses are dissimilar from the Core Internet Business Entities in terms of business models, revenue streams, customer bases and content; and (iii) such businesses have limited shared facilities and intercompany transactions with the Core Internet Business Entities.

In September 2003, the Company underwent the Reorganization where TOM transferred the ten Core Internet Business Entities to the Company. The Company issued 2.8 billion shares of par value of HK$0.01 each to TOM by way of capitalizing an existing shareholder's loan in an amount of $30 million. The issuance of the shares and the capitalization of the loan has been retroactively reflected in the consolidated financial statements. Following the Reorganization, all assets, liabilities and interests relating to the Non-core Internet Business Entities were retained by TOM at their net liability value at September 26, 2003. The retention of the net liabilities of the Non-core Internet Business Entities by TOM was satisfied by a capital contribution of $3,145,000. No gain or loss on the Reorganization has been recorded. The results of the operations and assets and liabilities of the Non-Core Internet Business Entities are included in the consolidated financial statements for the two years ended December 31, 2002 and for the period from January 1, 2003 to September 26, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

1. Reorganization, Organization and Nature of operations *(continued)*

Reorganization and Organization (continued)

On November 19, 2003, the Company, through its subsidiary, acquired 100% equity interest of Puccini International Limited ("Puccini"). Puccini provides wireless interactive voice response services through a variable interest entity. Puccini and its controlled entities (the "Puccini Group") were included in these consolidated financial statements from November 20, 2003 onwards.

The Company and its controlled entities are collectively referred to as the "Group".

A list of the Core Internet Business Entities, Non-core Internet Business Entities, Excluded Business Entities and the Puccini Group is set out in Note 22(q).

Nature of operations

The businesses which the Group operates are subject to a number of industry-specific risk factors, including, but not limited to, the less-developed Internet infrastructure in China, relatively high cost of Internet access in China, unexpected network interruption, increasing concern over the security and confidentiality of information in China, stringent rules imposed by local mobile operators, intense competition, unauthorized use of intellectual property by third parties, potential intellectual property infringement claims and the need for additional capital for its operations.

To comply with Chinese laws and regulations that prohibit or restrict foreign ownership of companies that provide value-added telecommunications services, which includes wireless value-added services and Internet content services, the Group conducts substantially all of its operations through three variable interest entities, Beijing Lei Ting Wan Jun Network Technology Limited ("Beijing Lei Ting"), Shenzhen Freenet Information Technology Company Limited ("Shenzhen Freenet") and Beijing Lei Ting Wu Ji Network Technology Limited ("Wu Ji Network"). Each of the three variable interest entities are legally owned by two citizens of the People's Republic of China (the "Registered Shareholders"). As of December 31, 2003, Mr. Wang Lei Lei, a director of the Company, held 20% in Beijing Lei Ting and 80% in Wu Ji Network.

Prior to the Reorganization, the Group also managed another variable interest entity which was one of the Non-core Internet Business Entities, namely Beijing TOM International Advertising Limited ("Beijing TOM", formerly known as Beijing Lu Jing Ling Advertising Limited) (the "Non-core Operating Company"), which is legally owned by two citizens of the People's Republic of China. Together with Beijing Lei Ting and Shenzhen Freenet (collectively the "Core Operating Companies"), these three variable interest entities together held direct equity interests in three other subsidiaries, China Travel Network Company Limited, Beijing Oriental China Travel Agency Limited and Shenzhen Freenet Super Channel Advertising Company Limited (collectively the "VIE Subsidiaries"), which are included in the Non-core Internet Business Entities. Following the Reorganization, the VIE subsidiaries were transferred out from these three variable interest entities to the Excluded Business Entities.

Prior to the Reorganization, these consolidated financial statements include the Core Operating Companies, the Non-core Operating Company and the VIE Subsidiaries. Total combined assets of the Core Operating Companies, the Non-core Operating Company, and the VIE Subsidiaries were $9,676,000, $14,381,000 and $31,333,000 as of December 31, 2001 and 2002 and September 26, 2003, respectively. The combined net (liabilities)/assets were ($6,929,000), ($3,240,000) and $15,716,000 as of December 31, 2001, 2002 and September 26, 2003, respectively. The combined net (loss)/income were ($7,311,000), $476,000 and $18,312,000 for the years ended December 31, 2001 and 2002 and the period from January 1, 2003 to September 26, 2003, respectively.

Following the Reorganization, only the Core Operating Companies were transferred to the Company, while the Non-core Operating Company and the direct equity interests in the VIE Subsidiaries were retained by TOM. Total combined assets of the Core Operating Companies, including Wu Ji Network which is the operating company of Puccini, were $5,055,000, $11,244,000 and $45,524,000 as of December 31, 2001, 2002 and 2003, respectively. The combined net (liabilities)/assets were ($9,170,000), ($3,092,000) and $31,306,000 as of December 31, 2001, 2002 and 2003, respectively. The combined net (loss)/income were ($7,233,000), $2,980,000 and $27,001,000 for the years ended December 31, 2001, 2002 and 2003, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

1. Reorganization, Organization and Nature of operations *(continued)*

Nature of operations (continued)

The Registered Shareholders are required under their contractual arrangements with the Group to transfer their interests in Beijing Lei Ting, Shenzhen Freenet and Wu Ji Network to the Group or the Group's designee upon the Group's request, provided that such transfer does not violate Chinese laws or regulations. Pursuant to the contractual arrangements, the Core Operating Companies are responsible for operating the Group's website and have been granted the right to use the domain names, trademarks and other intellectual properties for a license fee. In addition, the Group has the exclusive right to provide technical and consulting services to the Core Operating Companies in exchange for service fees which equals to substantially all of the net income of the Core Operating Companies. Since the acquisition of these Core Operating Companies, the Group had extended loans of approximately $5,385,000, $6,982,000 and $6,886,000 as of December 31, 2001, 2002 and 2003, respectively, to the Registered Shareholders of the Core Operating Companies to finance their investments in these Core Operating Companies. The direct equity interest in these Core Operating Companies has been pledged as collateral for the loans and when permitted under Chinese laws, the loans are to be repaid by transferring the direct equity interest in these entities to the Group. There are uncertainties regarding the interpretation and application of Chinese laws and regulations that could effect the enforceability of these contractual arrangements.

The Core Operating Companies, the Non-core Operating Company and Wu Ji Network were variable interest entities, as defined in Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities, and Interpretation of ARB No. 51" ("FIN 46"). As a result of the contractual agreements, the Group has determined that it was the primary beneficiary, as defined in FIN 46, of the Core Operating Companies and Wu Ji Network for the periods from the date of acquisition/date of incorporation to December 31, 2003 and the Non-core Operating Company for the period from the date of incorporation to September 26, 2003 and, accordingly, consolidated the financial statements of these companies. FIN 46 has been applied for all periods presented.

2. Basis of presentation

Historically, the Group has been funded by capital contributions and loan advances from its shareholders. The Company intends to apply the net proceeds from the listings for research and development of new technologies and applications for wireless value-added services, to fund future acquisitions in the wireless value-added services and Internet industries in China and for general corporate purposes. As described in the "Reorganization and Organization" section, the advances from TOM and its subsidiaries amounting to $30 million were capitalized and have been retroactively reflected in the consolidated financial statements.

The accompanying consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in shareholders' (deficit)/equity and cash flows that were directly applicable to the businesses and operations of the Core Internet Business Entities, the Non-core Internet Business Entities and the Puccini Group from the dates of acquisition/dates of incorporation of these entities, except that the financial positions and results of operations of the Non-core Internet Business Entities were included up to September 26, 2003, the date when the Reorganization had been completed. Changes in shareholders' (deficit)/equity represent the net (loss)/income of the Group and TOM's transfer of its investments to the Group, plus net cash and other transfers from TOM which were recorded as contribution received from shareholders.

Prior to the Reorganization, the consolidated financial statements include allocations of certain TOM corporate employee compensation costs, general, administrative and other expenses. For those expenses for which a specific identification method was not practicable, the allocation was primarily based on the percentage of the Group's total assets to those of TOM. The Group believes this allocation methodology is reasonable. As part of the Reorganization, on September 26, 2003, the Company and TOM entered into an administrative services agreement, pursuant to which TOM agrees to provide certain administrative, including but not limited to, company secretarial, legal, financial, information technology supporting services and other supporting services to the Group in connection with the operation of its business. The fee for the services provided is calculated on a cost reimbursement basis and in any event, the parties agree that the fee payable will not be more than HK$5,000,000 on an annual basis. During the quarter ended December 31, 2003, HK$1,250,000 was charged by TOM to the Group (Note 14(h)). All material intercompany transactions and balances between the Group's businesses have been eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

2. Basis of presentation *(continued)*

Prior to the Reorganization, the Group's operations were financed through operating cash flows, investments by, and advances from, TOM and its subsidiaries without charging any interest. For this reason, the historical financial statements prior to the Reorganization included estimated imputed interest charge on the advances from TOM and its subsidiaries. The estimated imputed interest charge is calculated using the weighted average interest rate for TOM applied to the debt owed to TOM. TOM's weighted average interest rates were 4.50%, 2.28% and 1.59%, for the years ended December 31, 2001, 2002 and 2003, respectively. In order to formalize these advances by TOM and its subsidiaries, the Group and TOM have entered into certain loan agreements.

The Group believes this allocation methodology is reasonable. However, the expenses allocated to the Group for these items are not necessarily indicative of the expenses that would have been incurred if the Group had been a separate, independent entity. With regard to the interest expense, such expense is not necessarily indicative of the interest expense that the Group would have incurred as a separate, independent entity because (i) the Group may not be able to obtain financing with interest rates as favourable as those enjoyed by TOM, with the result that the Group's cost of capital will be higher than that reflected in its financial statements; and (ii) the Group is expected to have a capital structure different from the capital structure in the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP"). The consolidated financial statements are prepared based on the historical cost convention.

3. Use of estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

4. Principal accounting policies

(a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company, the Core Internet Business Entities, the Non-core Internet Business Entities and the Puccini Group from the later of the dates of acquisition/dates of incorporation of these entities, except that the financial position and results of operations of the Non-core Internet Business Entities were included up to September 26, 2003, the date when the Reorganization had been completed. All significant intercompany balances and transactions between these entities have been eliminated on consolidation.

(b) Cash and cash equivalents and restricted cash

Cash and cash equivalents represent cash on hand, demand deposits placed with bank or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

Restricted cash represents cash deposited with bank as collateral for the Group's short-term bank loan.

(c) Accounts receivable, net

An allowance for doubtful accounts is made based on an aging analysis of accounts receivable balances, historical bad debt rates, repayment patterns, customer credit worthiness and industry trend analysis. The Group also makes a specific allowance if there is strong evidence showing that the receivable is likely to be irrecoverable. Accounts receivable in the balance sheet are stated net of such allowance. As of December 31, 2001, 2002 and 2003, the allowance for doubtful accounts of the Group was approximately $472,000, $1,228,000 and $2,420,000 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(d) Inventories

Inventories represent finished goods and work in progress. Finished goods which are stated at cost are calculated on the weighted average basis and are stated at the lower of cost and net realizable value. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Work in progress comprises primarily of costs incurred on commercial enterprise solutions projects where revenues and costs have not been recognized in the consolidated statement of operations and comprehensive (loss)/income as customer acceptance has not been obtained. Costs incurred include costs of hardware, software and labor on such projects prior to customer acceptance.

(e) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and provision for impairment, if any.

Property and equipment are depreciated at rates sufficient to write off their cost less provision for impairment, if any, over their estimated useful lives on a straight-line basis. Management considers that they have no significant residual value. The estimated useful lives are as follows:

Computer hardware and software	36-60 months
Furniture and office equipment	60-80 months
Motor vehicles	48-60 months
Leasehold improvements	the shorter of their useful lives or over the lease terms

Expenditure for maintenance and repairs is expensed as incurred. The carrying value of the assets is assessed regularly and/or when factors indicating a possible impairment are present. If the total of the expected future undiscounted cash flow is less than the carrying value, an indication of impairment is present and a loss is recognized in the consolidated statement of operations and comprehensive (loss)/income for the difference between the fair value and the carrying value of the assets.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognized in the consolidated statement of operations and comprehensive (loss)/income.

(f) Goodwill, net

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group's acquisitions of interests in its subsidiaries and variable interest entities.

Prior to January 1, 2002, goodwill was amortized on a straight-line basis over the expected future economic life of three years and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of goodwill is measured by a comparison of the carrying amount of goodwill and the future net discounted cash flows. If goodwill is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the goodwill exceeds its fair value.

The Group adopted Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Intangible Assets" ("SFAS 142") on January 1, 2002. Under SFAS 142, goodwill is no longer amortized, but tested for impairment upon first adoption and annually thereafter, or more frequently if events or changes in circumstances indicate that it might be impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(g) Intangibles, net

Intangibles, which primarily include partnership contract, domain names, developed technology, trademark, brand names, customer base, non-compete agreement and operating licenses arising from the acquisitions of subsidiaries and variable interest entities were initially recognized and measured at fair value upon acquisition. Intangibles also include software contributed by a minority shareholder of a subsidiary and were initially recorded at carryover basis which approximated fair values. Intangibles are amortized over their estimated useful lives of one to five years. The amortization methods and estimated useful lives of intangibles are reviewed regularly.

Identifiable intangibles are required to be determined separately from goodwill based on fair value. SFAS No. 141 "Business Combinations" ("SFAS 141") specifies criteria that must be applied to determine whether an intangible should be recognized separately from goodwill. In particular, an intangible which is acquired in a business combination should be recognized as an asset separated from goodwill if it satisfies either the "contractual-legal" or "separability" criterion.

Prior to January 1, 2002, intangibles were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of such intangibles might not be recoverable. Upon the Group's adoption of SFAS 142 on January 1, 2002, intangibles were tested for impairment and tested annually thereafter or more frequently if events or changes in circumstances indicate the intangibles might be impaired. The Group evaluates recoverability of an intangible to be held and used by comparing the carrying amount of the intangible to its future net undiscounted cash flows. If the intangible is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the intangible exceeds the fair value of the intangible calculated using a discounted future cash flow analysis.

(h) Revenue recognition

The Group derives revenues from provision of wireless value-added services, advertising, commercial enterprise solutions and Internet access. The Group recognized its revenues net of related business taxes and value-added taxes.

Wireless value-added services

Wireless value-added services revenues are derived principally from providing mobile phone users with short messaging services ("SMS"), multimedia messaging services ("MMS"), WAP services and wireless interactive voice response ("IVR") services. These include news subscriptions, sports information, mobile e-mail, dating service, picture download, wallpaper, mobile phone games, ring tones, ring back tones, logo downloads, chat rooms and access to music files.

Wireless value-added services are billed on a per message or on monthly subscription basis, while the content channel subscription services are billed on a monthly basis. These services are delivered to the Group's customers through the platform of various subsidiaries of China Mobile Communications Corporation ("China Mobile") and China United Communications Corporation ("China Unicom"). Revenues retained by China Mobile and China Unicom are calculated based on agreed percentages of revenues generated from the wireless data services of the Group. Revenues from wireless value-added services are recognized as the services are rendered and are recorded based on the gross amounts billed to the end customers as the Group markets, supports and contracts for its services directly with the end customers.

The Group purchases certain portal content from independent content providers. Certain of these agreements determine the fees payable for content based on a percentage of revenues of the Group generated from the use of the content. The Group records its revenues inclusive of fees to be paid to content providers as the Group acts as the principal in these arrangements by having the ability to determine the fees charged to the user and being the primary obligator to the users with respect to providing the content services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(h) Revenue recognition (continued)

Advertising

The Group derives its advertising services revenues from (i) placing paid online advertisements such as banners, links and logos on the Group's websites in China and (ii) fees earned from offline advertisements.

Revenues from paid online advertisements are derived from written contracts with customers that include the related fee, payment terms and provide persuasive evidence of the arrangement. The majority of the advertising contracts are to provide an online advertisement for a fixed period of time with no guaranteed minimum impression level. Revenue from these contracts is recognized based on the time period the advertisement is displayed. Certain of the Group's online advertising contracts are based solely on a number of impressions to be delivered. For these contracts, the Group records revenue ratably as the impressions are delivered. Certain other contracts do not include a fixed delivery pattern for the advertising. In these situations, revenue is deferred until completion of the contract. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the impression levels.

Offline advertising revenues are related to services provided under advertising contracts that are for a fixed period of time, generally less than one year. Revenues are recognized over the period the advertisement is displayed, provided no significant obligations remain.

During the year ended December 31, 2001, the Group entered into certain barter transactions. These transactions related to providing advertising on the Group's websites in exchange for the customer's consumer products or advertising from the customer. Revenues and expenses of $270,000 were recorded based on the fair value of the consumer products received. For transactions where the Group received advertising services, no revenues or costs were recorded.

Commercial enterprise solutions

Commercial enterprise solutions revenues are derived from providing integrated enterprise solutions, corporate e-mail services, e-commerce and resale of computer equipment.

Integrated enterprise solutions include design and implementation of pricing and management systems and purchasing and installation of computer hardware and software. Fees charged for providing integrated enterprise solutions are billed to the customer throughout the contract period including the following dates: (1) contract signing; (2) delivery of computer hardware and software; (3) completion of testing; (4) acceptance; and (5) one year after acceptance. Revenues are not allocated to various elements of the contracts as the criteria for separation are not met. Thus, the contracts are accounted for as one unit of accounting and revenue for billed amounts is recognized when customer's acceptance is obtained provided that no significant obligations remain. Warranties on the equipment included in the systems are assumed by the original vendors. For amounts billed after acceptance, revenue is recognized upon cash receipt due to uncertainty of collectibility.

Corporate e-mail boxes include 163.net e-mail boxes provided to small and medium-sized enterprises together with additional related services such as virus protection. Corporate e-mail revenues are recognized ratably over the period that services are provided.

E-commerce and resale of computer equipment represent revenues earned from direct sales of consumer products through the Group's websites or through contracts with the customer. Product sales, net of return allowances, are recorded when goods are delivered and title has passed to the customers.

Internet access

Internet access revenues are derived from the sales of prepaid cards that provide access to the Internet through various service providers. The Group sells cards that offer unlimited usage over a fixed period of time and cards that offer fixed access usage subject to an expiry date. When the unlimited usage cards are sold separately, revenue is recognized ratably over the fixed period of time. For usage-based cards, or in situations where both types of cards are sold together, the Group recognizes revenue to the extent of costs incurred from the service providers during that period and the remaining revenue is recognized upon expiration of the cards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(i) Cost of revenues

Cost of goods sold

Cost of goods sold consists of consumer products, computer hardware and software that the Group sold to its commercial enterprise solutions customers.

Cost of services

Cost of services includes service fees retained by and transmission fees payable to the mobile telecommunication operators, direct product promotion and marketing, staff bonuses and commissions that are based on revenues, bandwidth leasing charges, Internet access fees, royalty payments, content fees, depreciation, portal content production and wireless value-added services staff costs, website and platform maintenance costs and other production costs.

(j) Income taxes

The Company accounts for income tax using SFAS No. 109 "Accounting for Income Taxes", which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of recovery or reversal and the effect from a change in tax rates is recognized in the statement of operations and comprehensive (loss)/income in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax assets will not be realized.

(k) Advertising expenses

Advertising expenses generally represent the cost of promotions to create or stimulate a positive image of the Group or a desire to buy the Group's products and services and are expensed as incurred. Advertising expenses totaled approximately $4,698,000, $1,411,000 and $2,013,000 during the years ended December 31, 2001, 2002 and 2003, respectively.

(l) Product development expenses

The Company accounts for website development costs under SOP 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1") and capitalizes, if criteria under SOP 98-1 are met, material direct costs of materials and services consumed in developing or obtaining internal-use computer software during the application development stage. Cost incurred in the enhancement of the Company's website and the classification and organization of listings within Internet properties and enhancements to existing products are charged to product development expense as incurred. To date, no costs meet the criteria for capitalization and hence none are capitalized.

(m) Stock-based compensation

In accordance with the provision of SFAS No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure", the Group has chosen to disclose the provisions related to employee share options and share purchases and follows the provisions of Accounting Principles Board Opinion No. 25 ("APB 25") in accounting for stock options and shares issued to employees. Under APB 25, compensation expense, if any, is recognized as the difference between the exercise price and the estimated fair value of the common stock on the measurement date, which is typically the date of grant, and is expensed ratably over the service period, which is typically the vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(m) Stock-based compensation (continued)

The following table illustrates the effect on net (loss)/income if the Group had applied the fair value recognition provision of SFAS 123 "Accounting for Stock-Based Compensation" ("SFAS 123") to share-based employee compensation.

	Year ended December 31, 2001	2002	2003
	(in thousands of dollars)		
Net (loss)/income attributable to shareholders as reported	(23,144)	(8,354)	19,572
Add: Adjustments for APB25	–	–	–
Less: total stock-based employee compensation expense determined under fair value method for all awards of directors of the Company and employees of the Group, net of tax	(4,308)	(780)	(482)
Less: allocations of total share-based employee compensation (expense)/income determined under fair value method for all awards of certain directors and employees of TOM, net of tax	(1,513)	969	(877)
Pro forma net (loss)/income attributable to shareholder	(28,965)	(8,165)	18,213
Pro forma (loss)/earnings per share – basic (cents)	(1.034)	(0.292)	0.650

(n) Minority interests

Minority interests represent the proportionate equity interests of the shareholders in the Group's consolidated entities which are not wholly-owned. No minority interests are recorded in the Group's variable interest entities.

(o) Foreign currency translation

The functional currency of the Group is Renminbi ("RMB"). Transactions denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet dates. The resulting exchange differences are included in the determination of income. Exchange losses recorded for the years ended December 31, 2001, 2002 and 2003 were approximately $60,000, $8,000 and $1,000, respectively.

The consolidated financial statements of the Group are translated into the reporting currency, the United States Dollar, using exchange rates in effect at each year end for assets and liabilities and average exchange rates during each reporting year for the consolidated statements of operations and comprehensive (loss)/income. Translation adjustments resulting from translation of these consolidated financial statements are reflected as accumulated other comprehensive loss in the shareholders' (deficit)/equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

4. Principal accounting policies *(continued)*

(p) (Loss)/earnings per share

In accordance with SFAS No. 128 "Computation of Earnings Per Share", basic (loss)/earnings per share for the years ended December 31, 2001, 2002 and 2003 is based on the net (loss)/income attributable to shareholders of \$(23,144, 000), \$(8,354,000) and \$19,572,000 and the weighted average number of 2,800,000,000 shares in issue during each of the respective year as if they were issued upon a capital reorganization of the Company subsequent to December 31, 2003, as described in Note 17, had been outstanding for all periods presented.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for all periods presented. Specifically, the contingently issuable shares in relation to the acquisition of Puccini (please see Note 1 for details) are not included in the computation of diluted earnings per share since the number of shares contingently issuable depends on both future initial public offering price of the Company and future earnings of the Puccini Group.

(q) Comprehensive (loss)/income

Comprehensive (loss)/income is defined as the change in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Accumulated other comprehensive loss of the Group represents the cumulative foreign currency translation adjustment.

(r) Segment reporting

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments on a basis consistent with the Group's internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. The Group operates in four principal business segments.

(s) Recent accounting pronouncements

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees and indemnifications that it has issued and clarifies that a guarantor is required to recognize, at the inception of a guarantee or indemnification, a liability for the fair value of the obligation undertaken in issuing the guarantee or indemnification. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees and indemnifications issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statements ending after December 15, 2002. The adoption of this standard did not have a material impact on the consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149 ("SFAS 149") "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively the "derivatives") and for hedging activities under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". The Company currently does not expect the adoption of SFAS 149 to have a material impact on its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150 ("SFAS 150") "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". This Statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classifies a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management believes that the adoption of SFAS 150 will not have any significant impact on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

5. Business combinations

(a) Acquisition of China Travel Network Company Limited and its controlled entities, collectively referred to as "CTN Group"

Effective December 1, 2001, TOM gained control of China Travel Network Company Limited, a company incorporated in Hong Kong, for a total consideration of approximately $2,062,000, consisting of (i) the issuance of 4,300,000 TOM shares valued at their market price totaling approximately $2,006,000 as of December 14, 2001, the date of commitment and the date the acquisition of 100% equity interest of the CTN Group was publicly announced; (ii) cash consideration of approximately $48,000; and (iii) other acquisition costs of approximately $8,000. The acquisition has been accounted for as a purchase business combination and the results of the operations from the acquisition date of December 1, 2001 have been included in the Group's consolidated financial statements up to September 26, 2003, the date when the Reorganization was completed.

The allocation of the purchase price is as follows:

	(in thousands of dollars)
Current assets	443
Property and equipment	126
Intangibles	362
Goodwill	1,949
Liabilities assumed	(818)
	2,062

The excess of the purchase price over the identifiable tangible and intangible assets acquired and liabilities assumed was recorded as goodwill. Identifiable intangible assets were recognized and measured at fair value upon acquisition and amortized over their useful lives of three to five years.

The unaudited pro forma financial information in relation to the acquisition of CTN Group is not presented as the financial information of CTN Group with respect to the pre-acquisition period is not available.

(b) Acquisition of Beijing GreaTom United Technology Company Limited ("GreaTom")

On September 25, 2003, Shenzhen Freenet entered into an agreement with Greatwall Computer and Software Company Limited to purchase its 20% equity interest in GreaTom, a non-wholly-owned subsidiary of the Company for a total consideration of approximately $411,000, consisting of (i) cash consideration of approximately $407,000; and (ii) other acquisition costs of approximately $4,000. Following the completion of acquisition on October 31, 2003, the Company has 90% equity interest in GreaTom. Accordingly, 90% of the results of the operations of GreaTom have been included in the Group's consolidated financial statements from the date of acquisition of October 31, 2003.

The allocation of the purchase price is as follows:

	(in thousands of dollars)
Current assets	732
Property and equipment	61
Goodwill	214
Liabilities assumed	(596)
	411

The excess of the purchase price over the identifiable assets acquired and liabilities assumed was recorded as goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

5. Business combinations *(continued)*

(c) Acquisition of Puccini Group

Effective November 19, 2003, the Group acquired 100% equity interest of Puccini in which a subsidiary of a shareholder of TOM owned 100% interest. Puccini is an investment holding company incorporated on March 13, 2000 with an issued share capital of $1. It had no material historical operations, assets or liabilities since its incorporation and had remained inactive until its acquisition by the Group. Through a series of contractual arrangements, Puccini is the primary beneficiary of a wireless value-added services company, Wu Ji Network. The purchase consideration has been agreed as follows:

- an initial consideration which consists of (i) a nominal consideration of $1 at the time of completion and (ii) a sum of $18,500,000 in the form of the Company's shares at the initial public offering price, which will be placed with an escrow agent, subject to the conditions as discussed below; and

- an earn-out consideration that is equal to the excess over the initial consideration of (i) an amount equal to 7.7 times Puccini's 2004 audited consolidated net profit; or (ii) if such 2004 audited consolidated net profit is less than an amount equal to 1.2 times the greater of Puccini's 2003 audited consolidated net profit and RMB40,000,000 ($4,832,318), an amount equal to 6 times Puccini's 2004 audited consolidated net profit.

The total consideration is subject to a maximum of $150,000,000.

The acquisition has been accounted for as a purchase of business combination and the results of the operations from the acquisition date have been included in the Group's consolidated financial statements. As of December 31, 2003, a nominal cash consideration of $1 had been paid, and the purchase price of the acquisition of Puccini as of December 31, 2003 was equivalent to the aggregate amount of the nominal cash consideration and the professional costs incurred for the acquisition, totaling $768,000. The excess of the fair value of the identifiable tangible and intangible assets acquired of $7,348,000 over the initial purchase price of $768,000, which mainly represents professional costs, was recognized as a liability of $6,580,000 at the date of acquisition.

Pursuant to SFAS 141, the initial consideration of $18,500,000 and the earn-out consideration are considered contingent consideration, which will not become certain until the audited consolidated net profit of Puccini Group for the year ending December 31, 2004 is available. Accordingly, the contingent considerations have not been reflected in the consolidated financial statements of the Group.

Further, the initial consideration of $18,500,000 worth of the Company's common stock at the Company's initial public offering price issued and held in escrow pending the outcome of the purchase price contingency should be disclosed but not recorded as a liability or shown as outstanding securities unless the outcome of the contingency is resolved beyond a reasonable doubt in accordance with SFAS 141.

When the contingency is resolved and the consideration becomes issuable, any excess of the fair value of the contingent consideration issued or issuable over the amount that was recognized as a liability of $6,580,000 shall be recognized as an additional cost of acquisition. If the amount initially recognized as a liability of $6,580,000 exceeds the fair value of the consideration issued or issuable, that excess shall be allocated as a pro rata reduction of the amounts assigned to assets acquired. Any amount that remains after reducing those assets to zero shall be recognized as an extraordinary gain.

The allocation of the purchase price is as follows:

	(in thousands of dollars)
Current assets	4,402
Property and equipment, net	416
Other non-current assets	41
Intangibles	5,040
Liabilities assumed	(2,551)
Consideration payable	(6,580)
	768

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

5. Business combinations *(continued)*

(c) Acquisition of Puccini Group (continued)

Identifiable intangible assets of $5,040,000, the valuation of which was performed by an independent valuer, were recognized and measured at fair value upon acquisition and amortized over their useful lives of one year.

The unaudited pro forma consolidated financial information for the years ended December 31, 2002 and 2003, as presented below, reflects the results of operations of the Group in relation to acquisition of Puccini Group as if the acquisition of the Puccini Group has occurred on July 31, 2002 (date of incorporation of Wu Ji Network) and January 1, 2003 respectively, and after giving effect to the purchase accounting adjustments. In connection with the acquisition, Wu Ji Network and Puccini Network Technology (Beijing) Limited ("Puccini Network"), a wholly-owned subsidiary of Puccini incorporated on October 16, 2003 for the purpose of this acquisition, have entered into a technical and consulting service agreement, pursuant to which Puccini Network is entitled to receive service fees at an amount equal to substantially all of the income before tax of Wu Ji Network. As a result of this technical and consulting service agreement, Puccini Network would be subject to a 5% business tax, to be levied upon issuance of invoice for the technical service fee to Wu Ji Network. When preparing the following unaudited pro forma consolidated results of Puccini Group for the year ended December 31, 2002 and for the year ended December 31, 2003, it has been assumed that Puccini Network had been in existence and it had entered into the technical and consulting service agreement with Wu Ji Network since July 31, 2002 (date of incorporation of Wu Ji Network) and January 1, 2003, respectively. Since Puccini Network has been located and operating in the designated area of Beijing Economic and Technological Development Zone since its incorporation, it will be eligible, upon acceptance of application by the local tax authority, for a high technology enterprise preferential tax treatment of three years of income tax exemption from the date of its operation in accordance with the current income tax law. Management has applied for the preferential tax treatment and believes Puccini Network has met all the conditions required to receive such preferential tax treatment. Hence, no income tax expenses have been accrued in the unaudited pro forma consolidated financial information below on the technical service fee income to be earned by Puccini Network. As of January 20, 2004, Puccini Network has applied for but had not yet received confirmation of the preferential tax treatment. The impact of this agreement is reflected in the unaudited pro forma consolidated financial information below. These pro forma results have been prepared for information purposes only under paragraphs 54 and 55 of SFAS 141 and do not purport to be indicative of what operating results would have been had the acquisition actually taken place on July 31, 2002 (date of incorporation of Wu Ji Network) and January 1, 2003 respectively, and may not be indicative of future operating results.

	Year ended December 31, (unaudited and in thousands of dollars)	
	2002	**2003**
Revenue	29,990	83,897
Operating (loss)/income	(10,425)	19,573
Net (loss)/income attributable to shareholders	(10,460)	19,007
(Loss)/earnings per share – basic (cents)	(0.374)	0.679

6. Deposits and other receivables

	December 31, (in thousands of dollars)		
	2001	**2002**	**2003**
Rental deposits	75	94	97
Advances to staff	70	204	401
Others	192	118	437
Total	337	416	935

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

7. Concentrations and risks

(a) Major customers

Revenues from customers that individually represent greater than 10% of the total revenues for the years ended December 31, 2001, 2002 and 2003 are as follows:

	Year ended December 31,		
	2001	**2002**	**2003**
	(in thousands of dollars)		
The People's Insurance Company of China ("PICC")	–	2,679	–

Amount due from PICC as of December 31, 2002 was approximately $19,000.

(b) Dependence on mobile telecommunication operators

SMS revenues, which represent a substantial portion of the wireless value-added services revenues of the Group for the years ended December 31, 2002 and 2003, are derived from co-operative arrangements with China Mobile and China Unicom (the "mobile telecommunication operators"). The mobile telecommunication operators are entitled to a percentage of the revenues earned from users of SMS services. If the strategic relationship with either mobile telecommunication operator is terminated or scaled-back, or if the mobile telecommunication operators alter the co-operative arrangements, the Group's wireless value-added services business might be adversely affected.

Revenues earned from customers through the mobile telecommunication operators for the years ended December 31, 2002 and 2003 were $9,958,000 and $55,843,000, respectively.

Amounts due from the mobile telecommunication operators as of December 31, 2002 and 2003, were $2,970,000, representing 37% of net accounts receivable, and $8,247,000, representing 56% of net accounts receivable, respectively.

(c) Credit risk

The Group focuses on key customers both for advertising services and commercial enterprise solutions services and works closely with them. The Group generally does not require collateral for its accounts receivable. The Group also performs regular reviews of its accounts receivable and maintains allowances for potential credit losses. In addition, the mobile telecommunication operators bear the credit risk related to the end customers of wireless value-added services.

(d) Other risks

The Group's sales, purchases and expense transactions are generally denominated in RMB and a significant portion of the Group's assets and liabilities is denominated in RMB. The RMB is not freely convertible into foreign currencies. In China, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the PBOC. Remittances in currencies other than RMB by the Group in China must be processed through the PBOC or other China foreign exchange regulatory bodies and require certain supporting documentation in order to effect the remittance.

The Group also faces certain macro-economic and regulatory risks and uncertainties relating to the Group's China operations (Note 19(c)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

8. Property and equipment, net

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Computer hardware and software	7,725	12,395	15,845
Furniture and office equipment	556	554	491
Motor vehicles	65	65	68
Leasehold improvements	918	1,118	799
	9,264	14,132	17,203
Less: Accumulated depreciation	(3,344)	(5,654)	(7,646)
Less: Provision for impairment	(2,960)	(2,960)	(2,463)
	(6,304)	(8,614)	(10,109)
Net book value	2,960	5,518	7,094

During the years ended December 31, 2001, 2002 and 2003, the depreciation charges of the Group amounted to approximately $2,360,000, $1,865,000 and $3,016,000, respectively.

For the year ended December 31, 2001, the Group made a provision for impairment of approximately $2,960,000 mainly on certain computer hardware and software due to the overall decline in industry growth rates, negative industry and economic trends.

9. Goodwill, net

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Cost:			
Beginning of year	57,292	59,241	59,241
Goodwill arising from acquisitions	1,949	–	214
Goodwill of Non-core Internet Business Entities	–	–	(15,879)
End of year	59,241	59,241	43,576
Accumulated amortization and provision for impairment:			
Beginning of year	57,292	57,292	59,241
Provision for Impairment	–	1,949	–
Accumulated amortization and provision for impairment of Non-core Internet Business Entities	–	–	(15,879)
End of year	57,292	59,241	43,362
Net book value:			
End of year	1,949	–	214
Beginning of year	–	1,949	–

SFAS 142 was adopted on January 1, 2002. Due to the continued weak performance of the Group's online advertising business and the annual assessment of the recoverability of the intangibles, the Group recorded an impairment of the goodwill recognized in connection with the acquisition of the CTN Group during the year ended December 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

10. Intangibles, net

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Non-compete agreement#	410	410	100
Domain names	660	660	660
Trademark	745	745	263
Customer base	471	471	947
Backlog	28	28	28
Software	1,473	1,473	140
Licenses	121	121	96
Partnership contract*	–	–	4,364
	3,908	3,908	6,598
Less: Accumulated amortization	(482)	(570)	(900)
Less: Provision for impairment	(3,072)	(3,338)	(1,287)
	(3,554)	(3,908)	(2,187)
Net book value	354	–	4,411

The non-compete agreements include (i) the non-compete agreement entered with the former owners of Sharkwave Information Technology (Beijing) Company Limited ("Sharkwave Technology") under which the former owners agreed, amongst others, not to enter the business which the Group carried on without the prior consent of the Group within five years upon the completion of the acquisition of Sharkwave Technology in 2000, and (ii) the non-compete agreement entered with the former owner of Wu Ji Network, Cranwood Company Limited ("Cranwood"), under which Cranwood and its group companies agreed, amongst others, not to carry on the business of provision of the IVR services within two years upon the completion of the acquisition of Wu Ji Network in 2003.

* The intangible on partnership contract, which arises from the contractual rights, represents a business co-operation services agreement entered into between Wu Ji Network and China Mobile, pursuant to which Wu Ji Network provides wireless value-added services to mobile subscribers of China Mobile. Management has examined the partnership contract and concludes that the contract is similar to a licensing agreement which is under the contract-based category of intangibles pursuant to SFAS 141. Management is of the view that Wu Ji Network has been deriving economic benefit from the partnership contract and has recorded net income after the amortization of this intangible. The partnership contract is amortized over one year.

During the years ended December 31, 2001, 2002 and 2003, the amortization expense of the Group amounted to approximately $8,000, $88,000 and $629,000, respectively.

Based on the assessment for the year ended December 31, 2002, the Group recorded a full provision for the impairment of the identifiable intangibles associated with the acquisition of the CTN Group, due to the continued weak performance of the online advertising business.

The amounts of the above provision for impairment were determined using a future net discounted cash flow methodology.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

11. Other payables and accruals

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Staff costs and welfare accruals	1,657	1,157	587
Advertising expenses payable	400	331	693
Rental and other lease charges accruals	500	356	131
Internet access charges and other direct costs accruals	993	565	333
Business tax and other levies payable	461	305	1,856
Advances received from customers	426	638	505
Listing costs	–	–	14,412
Donation	–	–	1,842
Professional fees on acquisition of Puccini	–	–	768
Others	761	486	1,068
Total	5,198	3,838	22,195

12. Short-term bank loan

As of December 31, 2001, a short-term bank loan of approximately $3,615,000 was obtained from a bank in China with an annual interest rate of 5.58%. A deposit of approximately $4,030,000 was placed with the bank as collateral. The loan was fully repaid in March 2002.

13. China Contribution Plan and Profit Appropriation

The full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a China government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees' salaries. The total provision for such employee benefits was $657,000, $434,000 and $527,000 for the years ended December 31, 2001, 2002 and 2003, respectively. The Group is required to make contributions to the plans out of the amounts accrued for medical and pension benefits. The contributions for the years ended December 31, 2001, 2002 and 2003 amounted to approximately $166,000, $212,000 and $515,000, respectively. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees.

Certain subsidiaries of the Group are required to make appropriations to reserve funds, comprising the statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP"). Appropriation to the statutory surplus reserve should be at least 10% of the after-tax net income determined in accordance with the PRC GAAP until the reserve is equal to 50% of the entities' registered capital. Appropriations to the statutory public welfare fund are at 5% to 10% of the after-tax net income determined in accordance with the PRC GAAP. The statutory public welfare fund is established for the purpose of providing employee facilities and other collective benefits to the employees and is non-distributable other than in liquidation. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors.

During the year ended December 31, 2001, these legal entities were in an accumulated losses position determined in accordance with the PRC GAAP, thus, no appropriations to the reserve funds were made. For the year ended December 31, 2002, one legal entity appropriated $593,000 to the reserve funds based on its net income under the PRC GAAP. An additional $959,000 was appropriated to the reserve funds for specific tax holiday benefits as required by local tax regulations. During the year ended December 31, 2003, there was no profit appropriation to reserve funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

14. Related party transactions

	Note	Year ended December 31, 2001	2002	2003
		(in thousands of dollars)		
Advertising and commercial enterprise solutions revenues earned from:	(a)			
– subsidiaries of TOM	(b)	751	140	132
– minority shareholders of a subsidiary		–	273	510
– related companies of minority shareholders of a subsidiary		–	712	1,972
– a shareholder of TOM		–	144	–
Office rental expenses charged by:				
– a related company of a shareholder of TOM	(c)	532	463	732
Commercial enterprise solutions and Internet access revenues charged by:	(d)			
– a subsidiary of TOM		–	12	–
– minority shareholders of a subsidiary		–	1,631	85
– related companies of minority shareholders of a subsidiary		–	853	–
Property and equipment purchased from:	(e)			
– a shareholder of TOM		–	26	–
– TOM		–	205	–
Property and equipment transferred to subsidiaries of TOM	(f)	–	–	292
Recharge TOM and its subsidiaries of operating expenses incurred on their behalf		454	1,250	1,686
Interest expense to TOM	(g)	403	435	394
Corporate expenses recharged by TOM	(h)	1,464	729	923
Purchase of furniture and equipment on behalf of a related company controlled by a shareholder of TOM	(i)	–	138	–
Advertising expenses paid on behalf of a related company controlled by a shareholder of TOM	(j)	–	–	109
Cooperation service fee with a fellow subsidiary	(k)	–	–	73

Notes:

(a) As of December 31, 2001, 2002 and 2003, balances due from these related companies in respect of advertising and commercial enterprise solutions amounted to approximately $Nil, $461,000 and $698,000 respectively. Revenues earned from provision of advertising and commercial enterprise solutions to these related companies are principally at terms not less favourable than those to third party customers of the Group.

(b) On September 26, 2003, the Group entered into an online media services agreement with TOM.COM INTERNATIONAL LIMITED. Pursuant to this agreement, the Group shall provide the provision of certain goods and services to our parent company and its subsidiaries on a non-exclusive basis including content, mobile communication, infotainment services or related telecommunication services, website development maintenance and hosting services, online advertising services. The fees for such services will be calculated with reference to the market rate for the provision of the relevant goods and services. This agreement will be effective until December 31, 2006.

(c) The office premises were leased to the Group at market rates. The term of the lease agreement is for three years commencing June 15, 2003.

(d) As of December 31, 2001, 2002 and 2003, balances due to these related companies in respect of commercial enterprise solutions and Internet access charges amounted to approximately $Nil, $829,000 and $Nil respectively. Provision of commercial enterprise solutions and Internet access services by these related companies were determined at market rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

14. Related party transactions *(continued)*

Notes: (continued)

(e) As of December 31, 2001, 2002 and 2003, balances due to these related companies in respect of the purchase of property and equipment amounted to approximately $704,000, $915,000, and $915,000 respectively. Such purchases were made at market rates.

(f) Property and equipment were transferred to certain subsidiaries of TOM at their net book values. As of December 31, 2003, balance due from these related companies in respect of the transfer of property and equipment was $Nil.

(g) Amount represents estimated imputed loan interest charge on advances from TOM and its subsidiaries to the Group. Respective interest expenses have been capitalized as paid-in capital for the years ended December 31, 2001, 2002 and 2003. On September 21, 2003, the Group entered into loan agreements with the TOM Group, under which the TOM Group provided loans of HK$156.3 million (US$20 million) to the Group. The loans were non-interest bearing until December 31, 2003, after which they are interest bearing at the market rate of 1.65% per annum over the Hong Kong Dollar Interbank Offered Rates. These loans are unsecured and are not repayable until December 31, 2004, after which they will be repayable upon demand. In the opinion of the Directors, the above loan agreements were entered into on normal commercial terms.

(h) For the years ended December 31, 2001 and 2002 and for the period from January 1, 2003 to September 26, 2003, the date when the Reorganization, was completed, certain corporate expenses were recharged by TOM to the Group on the basis as described in Note 2. Subsequent to the Reorganization, the corporate expenses were recharged based on the administrative services agreement as detailed in Note 2.

(i) As of December 31, 2002 and 2003, balance due from this related company in respect of the furniture and equipment purchased on its behalf amounted to approximately $138,000 and $Nil. Such furniture and equipment were purchased at fair values.

(j) During the year ended December 31, 2003, the Group entered into two agreements with a third-party advertising company for promotional services from January 11, 2003 to June 30, 2003. Subsequent to the signing of these agreements, the Group entered another agreement with the advertising company and this related company, whereby this related company has agreed to bear all the risk and rewards of ownership associated with the two previously signed advertising agreements. As of December 31, 2003, balance due from this related company was $Nil in respect of advertising expenses paid on its behalf.

(k) Beijing Lei Ting signed a cooperation agreement with Shanghai Maya Online Broadband Network Company Limited, ("Shanghai Maya"), which is 50% owned by the parent of the Company, whereby Shanghai Maya permitted the Group to use certain contents from its database, and in return, the Group agreed to pay a fixed fee of approximately $73,000 plus a 50% share on the net profit in respect of wireless value-added services then generated from such provision of contents. As of December 31, 2003, balance due to this related company amounted to approximately $73,000. Management considers that this transaction is non-recurring in nature.

(l) Beijing Lei Ting entered into content license agreements with ChinaPlus (Beijing) Company Limited ("ChinaPlus"), which is 50% owned by the parent of the Company, whereby the Group can broadcast the contents from ChinaPlus. No fees were paid to ChinaPlus for the years presented in the consolidated financial statements. These agreements have been terminated subsequent to December 31, 2003.

(m) Cernet Online Company Limited ("Cernet Online"), which is 37% owned by the parent of the Company, entered into a license agreement with Beijing Lei Ting to use the TOMNET trademark from November 2002 to November 2004. No fees were received by Beijing Lei Ting for the periods presented in the consolidated financial statements.

(n) The Group had extended loans of approximately $5,385,000, $6,982,000 and $6,886,000 as of December 31, 2001, 2002 and 2003, respectively, to the registered shareholders of the Core Operating Companies to finance their investments in these Core Operating Companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

15. Income taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to income taxes.

China

The Group is subject to taxes in China. The Core Operating Companies and the Non-core Operating Company for which the Group does not have legal ownership are governed by the Enterprise Income Tax Law and the remaining companies operating in China are governed by the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises and Foreign Enterprises (collectively the "PRC Income Tax Laws"). Pursuant to the PRC Income Tax Laws, the Group is generally subject to enterprise income tax ("EIT") at a statutory rate of 33% (30% national income tax plus 3% local income tax) and companies located within special economic zones are entitled to a 15% preferential rate. Certain companies were also granted a full exemption from EIT for the first three years of operation including the year of incorporation and a 50% reduction for the following three years. Hong Kong profits tax has not been provided as the Group has no estimated assessable profit in Hong Kong for the years ended December 31, 2001, 2002 and 2003.

The Group was in a loss position in all jurisdictions up to December 31, 2001. No provision or benefit for income taxes was recorded for the year ended December 31, 2001. The following is a reconciliation between the EIT statutory rate to which the Group is subject to and effective tax rate of the Group:

	Year ended December 31,		
	2001	2002	2003
EIT statutory rate	(33%)	(33%)	33%
Effect of tax holiday	–	(25%)	(18%)
Permanent book-tax differences:			
– Staff costs and welfare	2%	4%	4%
– Reversal of revenues	2%	–	–
– Administrative expenses	3%	7%	2%
– Advertising expenses	2%	3%	2%
– Interest expense	–	1%	1%
– Provision for impairment and amortization of goodwill and other intangibles	–	8%	–
– Others	1%	3%	(1%)
Change in valuation allowance	23%	32%	(24%)
Effective EIT rate	–	–	(1%)

As of December 31, 2001, 2002 and 2003, the tax impact of significant temporary differences between the tax and financial statement basis of assets and liabilities that gave rise to deferred tax assets was principally related to the following:

	December 31,		
	2001	2002	2003
	(in thousands of dollars)		
Loss carry-forwards	8,258	10,533	3,993
Depreciation	218	542	666
Write-off of intangibles	442	442	–
Allowance for doubtful accounts	129	237	331
Provision for impairment of property and equipment	977	566	114
Others	106	167	282
Valuation allowance	(10,130)	(12,487)	(5,112)
Net deferred tax assets	–	–	274

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

15. Income taxes *(continued)*

Subject to the approval of the relevant tax authorities, the Group had loss carry-forwards of approximately $13,280,000 as of December 31, 2003. Approximately $2,353,000, $4,645,000, $3,255,000 and $2,904,000 of these loss carry-forwards will expire in 2005, 2006, 2007 and 2008, respectively. Approximately $123,000 of this loss has no expiry date.

As of December 31, 2001, 2002 and 2003, valuation allowances of $10,130,000, $12,487,000 and $5,112,000 were provided on the deferred tax assets due to the uncertainty surrounding their realization. There is no assurance that the Group will be able to utilize the loss carry-forwards before expiration. Alternatively, if events are to occur in the future that will allow the Group to realize more of its deferred tax assets than the presently recorded amount, an adjustment to the valuation allowance will increase income when those events occur.

The net deferred tax assets of $274,000 as of December 31, 2003 arose mainly from the temporary differences between financial statements carrying amounts of provision for bad debts and depreciation of an operating company and their respective tax bases. No valuation allowance was made on these deferred tax assets because they are expected to be utilized in the foreseeable future.

16. Financial instruments

The carrying amount of the Group's cash and cash equivalents and short-term bank loan approximate their fair value due to the short maturity of those instruments. The carrying value of receivables and payables approximated their fair value based on their short-term maturities.

17. Capital structure

Following the Reorganization on September 26, 2003, the Company has an authorized share capital of 10,000,000,000 ordinary shares of par value of HK$0.01 each, totaling approximately $12,821,000, and an issued and fully paid share capital of 4,000,000,000 ordinary shares of par value of HK$0.01 each, totaling approximately $5,128,000. These ordinary shares were issued to TOM in exchange for the operations and most assets and liabilities of the Core Internet Business Entities in TIG. Subsequent to December 31, 2003, the Company underwent a capital reorganization, giving an effect of reduction of issued share capital from $5,128,000 to $3,590,000 by repurchasing 1,300,000,000 ordinary shares and allotting 100,000,000 ordinary shares at the same consideration of $9,750,000. The share capital of the Company has been retroactively restated for these 2,800,000,000 shares issued to TOM from the beginning of the earliest period presented. The paid-in capital comprises the difference between the issued and fully paid share capital of the Company and the paid-in capital of the Core Internet Business Entities in TIG.

18. Share option plans

The Group's employees participate in the share option plans of its parent company. The Group does not have any separate share option plan created during the three years ended December 31, 2003. As of December 31, 2003, the Group was in the process of designing the terms and conditions of a pre-IPO share option plan (the "Company Pre-IPO Share Option Plan") for selected directors and employees. However, no option has been granted to any directors or employees up to the date of this report. Hence, no share option compensation expenses have been recorded during the three years ended December 31, 2003.

Certain senior management, executives and employees of the Group were granted share options to acquire shares of TOM pursuant to the Pre-IPO Share Option Plan ("TOM Group Pre-IPO Share Option Plan") and the Share Option Scheme (as amended) ("TOM Group Share Option Scheme") adopted by TOM on February 11, 2000 and February 11, 2000 (subsequently amended on April 24, 2002), respectively.

(a) TOM Group Pre-IPO Share Option Plan

The TOM Group Pre-IPO Share Option Plan was approved by the shareholders of TOM on February 11, 2000 and was open to any qualified employees, as determined by the Board of Directors of TOM. Each option is exercisable as determined by the Board and has a maximum term of ten years from February 11, 2000.

In accordance with the terms of the TOM Group Pre-IPO Share Option Plan, TOM granted options to an executive director of the Company on February 11, 2000. Details of the grants of the share options are set out in Note 22(a).

Following the listing of the shares of TOM on the GEM on March 1, 2000, no further options were eligible for grant under the TOM Group Pre-IPO Share Option Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

18. Share option plans *(continued)*

(b) TOM Group Share Option Scheme

On February 11, 2000, the shareholders of TOM approved the TOM Group Share Option Scheme which was subsequently amended on April 24, 2002 pursuant to the changes in the Rules governing the Listing of Securities on GEM ("GEM Listing Rules"), under which TOM initially reserved for issuance of 1,377,904,000 shares. Shares reserved for issuance under the TOM Group Share Option Scheme are subject to a maximum based upon a percentage of TOM's total shares issued, calculated in accordance with certain requirement of the GEM Listing Rules.

Under the TOM Group Share Option Scheme, share options may be granted, at the discretion of the Board of Directors of TOM, to employees or directors of TOM, or of any company in which TOM owns or controls 20% or more of its voting rights and/or issued share capital, or business associate or trustee.

The exercise price per share of the share options granted shall not be less than the higher of

(i) the closing price of the shares of TOM on the date of grant;

(ii) the average closing price of the shares of TOM for the five business days immediately preceding the date of grant; and

(iii) the nominal value of one share of TOM.

Each option is exercisable as determined by the Board of Directors of TOM and has a maximum term of ten years from the date of the grant. Vesting periods generally range from 1 year to 7 years.

During the year ended December 31, 2000, TOM extended the vesting period of certain option grants by a period of up to 7 years. As a result of this modification, a new measurement date was created for accounting purposes under FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"). However, no additional compensation expense was recognized, since the exercise price of the options concerned was in excess of the market value at the date of the modification. As of December 31, 2000, 2001, 2002 and 2003, TOM had reserved 7,374,000, 5,524,000, 2,978,000 and 2,566,000 shares, respectively, under these modified options.

During the year ended December 31, 2000, TOM also granted options to certain employees subject to specific conditions, including the performance of the share price of TOM, and the achievement of various individual milestones. Since the terms of the grant prevent the determination of the number of shares that may be acquired by the employee at the date of the award, these awards have been accounted as variable awards in accordance with APB 25. As a result of the decline in the share price of TOM, the exercise price of these options has generally been in excess of the market value and therefore no compensation expense in accordance with APB 25 has been recorded. As of December 31, 2003, 24,818,000 options had been granted under this type of options and 6,154,000 options were outstanding.

During the years ended December 31, 2002 and 2003, TOM granted 3,294,000 and 7,698,000 options, respectively, to selected employees. Among these awards 2,050,000 and 1,698,000 options granted in 2002 and 2003, respectively, were subject to certain conditions, including cancellation of some of these grantees' previously awarded options. Since the grants of new options are in the contemplation of cancelling old options which exercise prices are of higher value, the newly granted options were treated as replacement options and have been accounted as variable awards in accordance with FIN 44. However, no additional compensation expense was recognized under FIN 44 and APB 25 during the years ended December 31, 2002 and 2003, since the exercise prices of the replacement options concerned were in excess of the market value of the underlying shares at the end of each reporting period.

Total options granted to the executive directors of the Company and employees of the Group during 2000, 2002 and 2003 under TOM Group Share Option Scheme was 35,592,000, 3,294,000 and 7,698,000 options, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

18. Share option plans *(continued)*

(c) Movement of TOM Group Pre-IPO Share Option Plan and TOM Group Share Option Scheme

Details of the share options granted to the executive directors of the Company and employees of the Group as of December 31, 2001, 2002 and 2003 are as follows:

	Year ended December 31,					
	2001		2002		2003	
	Options outstanding	Weighted average exercise price ($)	Options outstanding	Weighted average exercise price ($)	Options outstanding	Weighted average exercise price ($)
Outstanding at beginning of year	36,652,000	0.66	27,310,000	0.63	21,572,000	0.53
Granted	–	–	3,294,000	0.47	7,698,000	0.31
Canceled	(9,342,000)	0.73	(9,032,000)	0.80	(3,644,000)	0.59
Outstanding at year end	27,310,000	0.63	21,572,000	0.53	25,626,000	0.45
Exercisable at end of year	7,080,000	0.56	13,242,000	0.50	17,060,000	0.40

The following is additional information relating to options outstanding as of December 31, 2003:

	Options outstanding as of December 31, 2003			Options exercisable as of December 31, 2003		
Range of exercise price ($)	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price ($)
0 – 0.38	16,778,000	7.80	0.27	10,778,000	6.69	0.24
0.39 – 0.77	7,190,000	6.69	0.65	6,282,000	6.72	0.69
1.16 – 1.54	1,658,000	6.23	1.45	–	–	–
	25,626,000			17,060,000		

During the years ended December 31, 2001, 2002 and 2003, TOM has granted Nil, 20,000,000 and 53,000,000 share options and cancelled 916,000, 24,216,000 and Nil share options previously issued to the non-executive directors of the Company (see Note 22(a)). As of December 31, 2001, 2002 and 2003 the outstanding and exercisable amount of share options were 29,354,000, 25,138,000 and 78,138,000 and 5,138,000, 19,138,000 and 45,138,000 respectively with the weighted average exercise prices of outstanding and exercisable share options of $0.68, $0.52 and $0.39 and $0.68, $0.53 and $0.43 respectively. The weighted average remaining contractual lives of outstanding and exercisable share options are 8.55, 8.79 and 9.15, and 8.54, 8.69 and 8.67 years respectively.

The Group accounts for share-based compensation, using the intrinsic value method as prescribed in APB 25, and related interpretations. Accordingly, the Group records expense for employee share compensation plans equal to the excess of the market price of the underlying TOM shares at the date of grant over the exercise price of the share-related award, if any (known as the intrinsic value). The intrinsic value of the share-based compensation issued to employees as of the date of grant is amortized on a straight-line basis to compensation expense in accordance with the vesting period.

The Company provides pro forma disclosures to illustrate the effects on the results of operations as if the Company had recorded compensation costs based on the estimated grant date fair value, as defined by SFAS 123 for awards granted under its share option plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

18. Share option plans *(continued)*

(c) Movement of TOM Group Pre-IPO Share Option Plan and TOM Group Share Option Scheme (continued)

The estimated weighted average grant date fair value, as defined by SFAS 123, was calculated using the Black-Scholes model. The Black-Scholes model was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's share option awards. These models also require highly subjective assumptions, including future share price volatility and expected time until exercise, which greatly affect the calculated grant date fair value. The following weighted average assumptions were included in the estimated grant date fair value calculations for both plans:

	Year ended December 31,		
	2001	**2002**	**2003**
Risk-free interest rate (%)	6.09 – 7.47	3.89 – 7.47	2.31 – 7.47
Expected life (years)	2 – 6	1 – 5	1 – 4
Expected dividend yield	0	0	0
Volatility (%)	119	82 – 119	70 – 119
Weighted average estimated grant date fair value ($)	0.18 – 1.26	0.18 – 1.26	0.12 – 1.26

The weighted average fair value of share granted during the years ended December 31, 2000, 2002 and 2003 were $0.60, $0.25 and $0.12, respectively.

If the compensation cost for the Group's share-based compensation plan, as prescribed in Note 4(m), has been determined based on the fair value at the grant dates for awards under the method specified in SFAS 123, the Group's net (loss)/income for the years ended December 31, 2001, 2002 and 2003 will be $(28,965,000), $(8,165,000) and $18,213,000, respectively.

19. Commitments and contingencies

(a) Capital commitments

	December 31, 2003 (in thousands of dollars)
Property and equipment:	
Contracted but not provided for	–
Authorized but not contracted for	140

(b) Operating lease commitments

The Group rented offices under operating lease agreements. The net aggregate future lease payments under non-cancelable operating leases as of December 31, 2003 are as follows:

	December 31, 2003 (in thousands of dollars)
2004	1,244
2005	1,180
2006	696
	3,120

As of December 31, 2003, the Group had no operating lease commitments beyond 2006.

For the years ended December 31, 2001, 2002 and 2003, the Group incurred rental expenses of approximately $1,064,000, $862,000 and $793,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

19. Commitments and contingencies *(continued)*

(c) Chinese market macro-economic and regulatory risks and uncertainties

The Chinese market in which the Group operates has certain macro-economic and regulatory risks and uncertainties. These uncertainties extend to the ability of the Group to operate its business, and to conduct wireless value-added services, online advertising, commercial enterprise solutions and Internet access in China. Although China, since 1978, implemented a wide range of market oriented economic reforms, continued reforms and progress towards a full-market-oriented economy are uncertain. In addition, the telecommunication, information and media industries remain highly regulated. Restrictions are currently in place or are unclear regarding in what specific segments of these industries foreign-owned entities, like the Group, may operate. The Group's legal structure and scope of operations in China could be subject to restrictions that could result in severe limits to the Group's ability to conduct business in China.

20. Segment information

Based on the criteria established by SFAS No. 131 "Disclosures about segments of an Enterprise and Related Information" the Group operates in four principal business segments. The Group does not allocate any operating expenses or assets to its four business segments as management does not use this information to measure the performance of the operating segments. Certain cost of revenues are shared between business segments. These costs, including staff costs, content acquisition costs, bandwidth leasing charges, depreciation as well as portal facilities, were allocated to the wireless value-added services and advertising segments in proportion to their gross margin contribution before the allocation of these costs. Also, no measures of assets by segment are reported and used by the chief operating decision maker. Hence, the Group has not made disclosure of total assets by reportable segment.

Summarized information by segment for the years ended December 31, 2001, 2002 and 2003 is as follows:

	Year ended December 31, 2001	2002	2003
	(in thousands of dollars)		
Revenues:			
Wireless value-added services	30	9,958	55,843
Advertising	2,950	4,228	5,845
Commercial enterprise solutions	1,479	11,244	13,825
Internet access	1,974	4,545	1,560
Total revenues	6,433	29,975	77,073
Cost of revenues:			
Wireless value-added services	(82)	(7,632)	(27,294)
Advertising	(8,295)	(3,914)	(4,351)
Commercial enterprise solutions	(664)	(9,238)	(11,773)
Internet access	(1,867)	(4,090)	(667)
Total cost of revenues	(10,908)	(24,874)	(44,085)
Gross (loss)/profit	(4,475)	5,101	32,988

21. Deferred costs

In connection with the proposed listing of the Company, the Group had incurred professional fees of approximately $15,000,000 up to December 31, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance

(a) Directors' rights to acquire shares in TOM

Among the director grantees of the TOM Group Pre-IPO Share Option Plan and/or the TOM Group Share Option Scheme, Wang Sing and Tommei Tong are non-executive directors of the Company. Share options were granted to them in their capacity of being directors of the Company's parent company TOM. These directors are corporate executives who have multiple corporate management responsibilities, any stock-based compensation charge incurred by TOM for them would have been allocated to the Company based on the basis as outlined in Note 2. In practice, TOM did not incur any stock-based compensation costs for these two executives during the historical track record period and hence the Group had not been allocated of any such costs.

Wang Sing had been granted 20,000,000 share options on February 7, 2002 in the capacity of being directors of the Company's parent company TOM. These options were granted in contemplation of a cancellation of the remaining unvested options previously granted to them on June 30, 2000 and August 8, 2000 as at February 7, 2002. The newly granted options were considered as replacement to the existing ones. As a result, a new measurement date was created for accounting purposes under FIN 44. However, no additional compensation expense was recognized, since the exercise price of the options concerned was in excess of the market value at the date of the replacement.

Pursuant to the TOM Group Pre-IPO Share Option Plan and/or the TOM Group Share Option Scheme, certain directors of the Company were granted share options to subscribe for the shares of TOM. Details of which as of December 31, 2000, 2001, 2002 and 2003 were as follows:

		Number of share options							
Name of Directors	Date of grant	Outstanding as of January 1, 2000	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Outstanding as of December 31, 2000	Option period	Subscription price per share *HK$*
Wang Sing	30/6/2000	–	15,000,000	–	–	–	15,000,000	30/6/2000 – 29/6/2010 *(Note i)*	5.27
	8/8/2000	–	15,270,000	–	–	–	15,270,000	8/8/2000 – 7/8/2010 *(Note ii)*	5.30
Wang Lei Lei	11/2/2000	–	9,080,000	–	–	–	9,080,000	11/2/2000 – 10/2/2010 *(Note iii)*	1.78*

Notes:

(i) The options will vest in three tranches in the proportion of 20%:30%:50% on June 30, 2001, 2002 and 2003, respectively.

(ii) Subject to the fulfillment of certain conditions under the share options, the options will vest in three tranches in the proportion of 20%:30%:50% on August 8, 2001, 2002 and 2003, respectively.

(iii) The options will vest in three tranches in the proportion of 20%:30%:50% on February 11, 2001, 2002 and 2003, respectively.

* TOM Group Pre-IPO Share Option Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(a) Directors' rights to acquire shares in TOM (continued)

		Number of share options							
Name of Directors	**Date of grant**	**Outstanding as of January 1, 2001**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Canceled during the year**	**Outstanding as of December 31, 2001**	**Option period**	**Subscription price per share** *HK$*
Wang Sing	30/6/2000	15,000,000	–	–	–	–	15,000,000	30/6/2000 – 29/6/2010 *(Note i)*	5.27
	8/8/2000	15,270,000	–	–	916,000	–	14,354,000	8/8/2000 – 7/8/2010 *(Note ii)*	5.30
Wang Lei Lei	11/2/2000	9,080,000	–	–	–	–	9,080,000	11/2/2000 – 10/2/2010 *(Note iii)*	1.78*

Notes:

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

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

(iii) The options will vest in three tranches in the proportion of 20%:30%:50%. The first tranche of the options had vested on February 11, 2001. The second and third tranches of the options will vest on February 11, 2002 and 2003, respectively.

* TOM Group Pre-IPO Share Option Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(a) Directors' rights to acquire shares in TOM (continued)

		Number of share options							
Name of Directors	Date of grant	Outstanding as of January 1, 2002	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Outstanding as of December 31, 2002	Option period	Subscription price per share *HK$*
Wang Sing	30/6/2000	15,000,000	–	–	–	12,000,000 *(Note vii)*	3,000,000	30/6/2000 – 29/6/2010 *(Note i)*	5.27
	8/8/2000	14,354,000	–	–	–	12,216,000 *(Note vii)*	2,138,000	8/8/2000 – 7/8/2010 *(Note ii)*	5.30
	7/2/2002	–	20,000,000	–	–	–	20,000,000	7/2/2002 – 6/2/2012 *(Note iii)*	3.76
Wang Lei Lei	11/2/2000	9,080,000	–	–	–	–	9,080,000	11/2/2000 – 10/2/2010 *(Note iv)*	1.78*
	7/2/2002	–	850,000	–	–	–	850,000	7/2/2002 – 6/2/2012 *(Note v)*	3.76
Wu Yun	7/2/2002	–	200,000	–	–	–	200,000	7/2/2002 – 6/2/2012 *(Note vi)*	3.76

Notes:

(i) The options had vested on June 30, 2001.

(ii) The options had vested on August 8, 2001.

(iii) The options will vest in three tranches in the proportion of 40%:30%:30%. The first and second tranches of the options had vested on February 8, 2002 and June 1, 2002, respectively. The third tranche of the options will vest on June 1, 2003.

(iv) The options will vest in three tranches in the proportion of 20%:30%:50%. The first and second tranches of the options had vested on February 11, 2001 and 2002, respectively. The third tranche of the options will vest on February 11, 2003.

(v) The options will vest in three tranches in the proportion of 1/3:1/3:1/3. The first and second tranches of the options had vested on February 8, 2002. The third tranche of the options will vest on February 8, 2003.

(vi) The options will vest in three tranches in the proportion of 1/3:1/3:1/3. The first and second tranches of the options had vested on February 8, 2002 and October 1, 2002, respectively. The third tranche of the options will vest on October 1, 2003.

(vii) The options were canceled pursuant to the ordinary resolutions of TOM passed at the extraordinary general meeting of TOM held on April 24, 2002.

* TOM Group Pre-IPO Share Option Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(a) Directors' rights to acquire shares in TOM (continued)

		Number of share options							
Name of Directors	Date of grant	Outstanding as of January 1, 2003	Granted during the year	Exercised during the year	Lapsed during the year	Canceled during the year	Outstanding as of December 31, 2003	Option period	Subscription price per share *HK$*
Wang Sing	30/6/2000	3,000,000	–	–	–	–	3,000,000	30/6/2000 – 29/6/2010 *(Note i)*	5.27
	8/8/2000	2,138,000	–	–	–	–	2,138,000	8/8/2000 – 7/8/2010 *(Note ii)*	5.30
	7/2/2002	20,000,000	–	–	–	–	20,000,000	7/2/2002 – 6/2/2012 *(Note iii)*	3.76
	9/10/2003	–	38,000,000	–	–	–	38,000,000	9/10/2003 – 8/10/2013 *(Note iv)*	2.505
Wang Lei Lei	11/2/2000	9,080,000	–	–	–	–	9,080,000	11/2/2000 – 10/2/2010 *(Note v)*	1.78*
	7/2/2002	850,000	–	–	–	850,000	–	7/2/2002 – 6/2/2012	3.76
	9/10/2003	–	6,850,000	–	–	–	6,850,000	9/10/2003 – 8/10/2013 *(Note vi)*	2.505
Wu Yun	7/2/2002	200,000	–	–	–	200,000	–	7/2/2002 – 6/2/2012	3.76
	9/10/2003	–	200,000	–	–	–	200,000	9/10/2003 – 8/10/2013 *(Note vii)*	2.505
Tong Tommei	9/10/2003	–	15,000,000	–	–	–	15,000,000	9/10/2003 – 8/10/2013 *(Note viii)*	2.505

Notes:

(i) The options had vested on June 30, 2001.

(ii) The options had vested on August 8, 2001.

(iii) The options had vested in three tranches in the proportion of 40%:30%:30% on February 8, 2002, June 1, 2002 and 2003, respectively.

(iv) The options will vest in four tranches. The first tranche of 20,000,000 options had vested on October 10, 2003. The second tranche of 6,000,000 options, the third tranche of 6,000,000 options and the four tranche of 6,000,000 options will vest on June 1, 2004, 2005 and 2006, respectively.

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

(vi) The options will vest in four tranches. The first tranche of 850,000 options had vested on October 10, 2003. The second tranche of 2,000,000 options, the third tranche of 2,000,000 options and the fourth tranche of 2,000,000 options will vest on February 1, 2004, 2005 and 2006, respectively.

(vii) The options had vested on October 10, 2003.

(viii) The options will vest in three tranches in the proportion of 1/3:1/3:1/3 on March 17, 2004, 2005 and 2006, respectively.

* TOM Group Pre-IPO Share Option Plan

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(b) Staff costs

	Year ended December 31,		
	2001	2002	2003
	(in thousands of dollars)		
Wages and salaries	6,100	5,017	6,120
Pension costs – defined contribution plan	152	240	320
	6,252	5,257	6,440

(c) (Loss)/income before tax

	Year ended December 31,		
	2001	2002	2003
	(in thousands of dollars)		
Charging:			
Interest expense	403	435	394
Auditors' remuneration	114	98	149
Loss on disposal of property and equipment	8	163	91

(d) Dividend

There was no dividend declared, made or paid by the Company or any subsidiaries comprising the Group for the years ended December 31, 2001, 2002 and 2003.

(e) Net loss attributable to shareholders

The net loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately $2,000, $2,000 and $4,000 for the years ended December 31, 2001, 2002, and 2003.

(f) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company are as follows:

	Year ended December 31,		
	2001	2002	2003
	(in thousands of dollars)		
Fees	1	1	6
Basic salaries, housing allowances, other allowances and benefits in kind	228	296	567
Discretionary bonuses	114	234	204
Contributions to pension schemes for directors	11	12	22
	354	543	799

For the years ended December 31, 2001, 2002 and 2003, no emoluments were paid to any independent non-executive directors by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(f) Directors' emoluments (continued)

Details of the emoluments of individual directors are as follows:

	Year ended December 31, 2001	2002	2003
	(in thousands of dollars)		
Director A	202	352	200
Director B (*)	123	81	206
Director C	–	39	65
Director D	28	44	61
Director E (*)	–	–	83
Director F	–	3	31
Director G (*)	–	23	139
Director H (*)	1	1	–
Director I	–	–	14
	354	543	799

* Emoluments of these directors were allocated by TOM through corporate expenses recharge based on the percentage of the Group's total assets to those of TOM.

During the years ended December 31, 2001, 2002 and 2003, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office, and there has been no arrangement under which a director has waived or agreed to waive any emoluments.

(g) Five highest paid individuals of the Group

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2001, 2002 and 2003 include 3 directors, 2 directors and 5 directors, respectively, whose emoluments are reflected in the analysis presented in Note 22(f) above. The emoluments payable to the remaining 2 individuals, 3 individuals and Nil individuals for the years ended December 31, 2001, 2002 and 2003, respectively, are as follows:

	Year ended December 31, 2001	2002	2003
	(in thousands of dollars)		
Basic salaries, housing allowances, other allowances and benefits in kind	89	148	–
Bonuses	8	11	–
Contributions to pension schemes	–	1	–
	97	160	–

None of the above individuals received remuneration in excess of $128,000 (equivalent to HK$1,000,000).

(h) Net current assets and total assets less current liabilities

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Net current assets	4,830	10,564	21,987
Total assets less current liabilities	11,181	17,076	34,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(i) Accounts receivable, net

The aging analysis of the accounts receivable of the Group is set out below:

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Current	2,483	3,785	6,635
30 – 60 days	24	1,185	4,744
61 – 90 days	674	757	1,157
Over 90 days	2,189	2,276	2,153
	5,370	8,003	14,689

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

(j) Accounts payable

The aging analysis of the accounts payable of the Group is set out below:

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Current	1,240	1,057	1,489
30 – 60 days	68	188	35
61 – 90 days	490	229	301
Over 90 days	1,021	1,452	1,416
	2,819	2,926	3,241

(k) Due from/to related parties

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Due from:			
Fellow subsidiaries	1,447	369	123
Related companies	–	91	1
	1,447	460	124
Due to:			
Parent company	9,277	21,036	18,960
Fellow subsidiaries	2,524	5,274	1,023
Related companies	–	6	–
	11,801	26,316	19,983

The balances due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The balances due to related parties are unsecured, non-interest bearing and not repayable within the next twelve months. However, estimated imputed interest was charged during the relevant periods as discussed in Note 2.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(l) Property and equipment, net

	December 31, 2001	2002	2003
	(in thousands of dollars)		
Additions	2,749	4,451	4,790
Disposals	8	195	91

(m) Net assets of the Company

As of December 31, 2001, 2002 and 2003, the Company had no material assets or liabilities.

(n) Distributable reserves

As of December 31, 2001, 2002 and 2003, the Company had no reserves available for distribution to the shareholder of the Company.

(o) Ultimate holding company

The directors regard TOM, a company incorporated in the Cayman Islands, as being the ultimate holding company.

(p) Subsequent financial statements

No audited financial statements have been prepared for the Company and any of the companies comprising the Group in respect of any period subsequent to December 31, 2003 and save as disclosed in this report, no dividend or other distribution has been declared by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2003.

(q) List of companies included in TIG

Details of companies included in TIG, of which only the financial statements of the Core Internet Business Entities, the Non-core Internet Business Entities and the Puccini Group are included in the consolidated financial statements, are set out below:

(i) Core Internet Business Entities:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
Held directly:					
Lahiji Vale Limited	British Virgin Islands ("BVI"), September 30, 1999, limited liability company	Investment holding in China	1 ordinary share of $1 each	100%	*note (a)*
Laurstinus Limited	BVI, November 23, 1999, limited liability company	Investment holding in China	1 ordinary share of $1 each	100%	*note (a)*
Advanced Internet Services Limited, acquired on November 1, 2000	Hong Kong, September 3, 1999, limited liability company	Investment holding in China	10,000,000 ordinary shares of $0.01 each	100%	*note (b)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(q) List of companies included in TIG (continued)

(i) Core Internet Business Entities: *(continued)*

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
Bright Horizon Enterprises Limited (formerly known as PC Rock Enterprises Limited)	BVI, August 27, 2001, limited liability company	Investment holding in China	1 ordinary share of $1 each	100%	*note (a)*
Held indirectly:					
Beijing Lei Ting Wan Jun Network Technology Limited@	China, November 23, 2000, limited liability company	Provision of Internet content services and telecom value-added services in China	Registered capital RMB11,000,000	100%	*note (c)*
TOM.COM (China) Investment Limited	China, July 28, 2000, limited liability company	Investment holding in China	Registered capital $30,000,000	100%	*note (d)*
Shenzhen Freenet Information Technology Company Limited@, acquired on November 1, 2000	China, November 16, 1999, limited liability company	Operates 163.net and e-mails service provider in China	Registered capital RMB23,000,000	100%	*note (e)*
Beijing GreaTom United Technology Company Limited, acquired additional 20% interest on October 31, 2003	China, March 12, 2001, limited liability company	Development of operating platform for broadband Internet value-added services in China	Registered capital RMB25,000,000	90%	*note (f)*
Beijing Super Channel Network Limited	China, January 20, 2000, limited liability company	Development of software information system, computer network and website products in China	Registered capital $13,000,000	100%	*note (b)*
Shanghai Super Channel Network Limited	China, January 20, 2000, limited liability company	Development of software information system, computer network and website products in China	Registered capital $5,000,000	100%	*note (g)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(q) List of companies included in TIG (continued)

(ii) Non-core Internet Business Entities:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
Held indirectly:					
Shenzhen Freenet Super Channel Advertising Company Limited†	China, May 14, 2001, limited liability company	Advertising sales in China	Registered capital RMB 1,000,000	100%	*note (h)*
Sharkwave Information Technology (Beijing) Company Limited, acquired on December 1, 2000	China, December 24, 1999, limited liability company	Provision of development and services relating to Internet, electronic publishing and e-commerce technology in China	Registered capital $2,000,000	100%	*note (b)*
China Travel Network Company Limited†, acquired on December 1, 2001	China, October 20, 1997, limited liability company	Operates a domestic travel website in China	Registered capital RMB10,000,000	100%	*note (a)*
Beijing Oriental China Travel Agency Limited†, acquired on December 1, 2001	China, September 10, 1997, limited liability company	Provision of event, marketing, advertising and business conferencing services and travel related services	Registered capital RMB500,000	100%	*note (a)*
Beijing TOM International Advertising Limited@ (Formerly known as Beijing Lu Jing Ling Advertising Limited@)	China, March 5, 2001, limited liability company	Advertising sales in China	Registered capital RMB1,000,000	100%	*note (i)*
Beijing Planet Network Travel Information Technology Limited, acquired remaining 45% interest on December 1, 2001	China, December 15, 1999, limited liability company	Travel-related software development and provision of consulting services in China	Registered capital $2,250,000	100%	*note (b)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(q) List of companies included in TIG (continued)

(iii) Excluded Business Entities:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
TOM.COM INTERNATIONAL LIMITED	Hong Kong, May 26, 1999, limited liability company	Operates tom.com portal and manages strategic investments of the Group in Hong Kong	10 ordinary shares of HK$1 each	100%	*note (b)*
Shanghai Maya Online Broadband Network Company Limited^, changed to investment security on October 1, 2002	China, October 22, 1999, limited liability company	Operates a website and engages in content of provision and development in China	Registered capital RMB50,000,000	50%	*note (a)*
Cernet Online Company Limited*	China, December 17, 2001, limited liability company	Acts as primary Internet services provider in China	Registered capital RMB10,000,000	37%	*note (a)*
Cernet Information Technology Company Limited, acquired on January 1, 2002	China, December 11, 2001, limited liability company	Provision of system integration and consultancy services in China	Registered capital RMB60,000,000	51%	*note (j)*
ChinaPlus (Beijing) Company Limited*	China, December 30, 2001, limited liability company	Operates interactive marketing business in China and Taiwan	Registered capital $3,500,000	50%	*note (k)*
AASTOCKS.com LIMITED^, changed to subsidiary on April 1, 2002 and investment security on May 18, 2003	Hong Kong, March 6, 2000, limited liability company	Operates financial website in Hong Kong	23,000,000 ordinary shares of HK$1 each	16.7%	*note (l)*
Beijing Redsail Netlegend Data Network Technology Company Limited, changed to subsidiary on June 25, 2003@	China, June 19, 2000, limited liability company	Provision of interactive call centre in China	Registered capital RMB62,800,000	100%	*note (m)*
She Communications Limited#	Hong Kong, January 15, 1999, limited liability company	Operates a fashion website in Hong Kong	2 ordinary shares of HK$10 each	33.3%	*note (b)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(q) List of companies included in TIG (continued)

(iii) Excluded Business Entities: *(continued)*

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
itravel (HK) Limited	Hong Kong, November 6, 1998, limited liability company	Operates an international travel website and provision of on-line travel agency services in Hong Kong	500,000 ordinary shares of HK$1 each	100%	*note (b)*
ECLink Electronic Network Systems (Shenzhen) Company Limited	China, July 21, 1997, limited liability company	Software, electronics and computer network system development in China	Registered capital $3,000,000	100%	*note (b)*

(iv) Puccini Group:

Name	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held	Name of statutory auditors
Held indirectly:					
Puccini International Limited, acquired on November 19, 2003	Cayman Islands, March 13, 2000, limited liability company	Investment holding in China	1 ordinary share of $1 each	100%	*note (a)*
Beijing Lei Ting Wu Ji Network Technology Limited@, acquired on November 19, 2003	China, July 31, 2002, limited liability company	Provision of IVR services in China	Registered capital RMB1,000,000	100%	*note (b)*
Puccini Network Technology (Beijing) Limited, acquired on November 19, 2003	China, October 16, 2003, limited liability company	Technology development in network, computer software and hardware, IVR services and communications and the provision of related consultancy services in China	Registered capital $200,000	100%	*note (a)*

@ Variable interest entity
† VIE Subsidiaries
* Jointly controlled entity
# Associated company
^ Investment security

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(q) List of companies included in TIG (continued)

Notes:

(a) No audit requirement.

(b) Audited by PricewaterhouseCoopers, Certified Public Accountants since the date of incorporation.

(c) Audited by PricewaterhouseCoopers, Certified Public Accountants for the year ended December 31, 2001.

(d) Audited by Sino-Reality Certified Public Accountants, PricewaterhouseCoopers, Certified Public Accountants and Zhongchenxing Certified Public Accountants Co., Ltd for the period from July 28, 2000 (date of incorporation) to December 31, 2000 and for the years ended December 31, 2001 and December 31, 2002 respectively.

(e) Audited by深圳南方民和會計師事務所for the year ended December 31, 2002.

(f) Audited by PricewaterhouseCoopers, Certified Public Accountants and Sino-Reality Certified Public Accountants for the period from March 12, 2001 (date of incorporation) to December 31, 2001 and for the year ended December 31, 2002 respectively.

(g) Audited by上海眾華滬銀會計師事務所for the period from January 20, 2000 (date of incorporation) to December 31, 2000 and PricewaterhouseCoopers, Certified Public Accountants for the years ended December 31, 2001 and December 31, 2002.

(h) Audited by深圳法威會計師事務所for the period from May 14, 2001 (date of incorporation) to December 31, 2001.

(i) Audited by PricewaterhouseCoopers, Certified Public Accountants for the period from March 5, 2001 (date of incorporation) to December 31, 2001.

(j) Audited by華聞會計師事務所有限責任公司since the date of incorporation.

(k) Audited by Sino-Reality Certified Public Accountants since the date of incorporation.

(l) Investment securities as of the date of this report, therefore no disclosure of auditors is required.

(m) Audited by北京中科華會計師事務所since the date of incorporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(Amounts expressed in U.S. dollars, unless otherwise stated)

22. Additional disclosures pursuant to the GEM Listing Rules/Hong Kong Companies Ordinance *(continued)*

(r) Key financial information of the Non-core Internet Business Entities

	Year ended December 31, 2001	Year ended December 31, 2002	Period from January 1, 2003 to September 26, 2003
	(in thousands of dollars)		
Revenue	1,045	3,703	3,898
Net loss	1,563	2,487	461

	December 31, 2001	December 31, 2002	September 26, 2003
	(in thousands of dollars)		
Total assets	5,221	3,419	4,484
Total liabilities	5,470	5,995	7,379

23. Supplemental information for prospective investors in Hong Kong

(a) Summary of principal differences between US GAAP and HK GAAP

The consolidated financial statements of the Group are prepared in accordance with US GAAP, which differ in certain significant aspects from accounting principles generally accepted in Hong Kong ("HK GAAP"). A summary of significant differences between US GAAP and HK GAAP affecting the total assets and net (liabilities)/assets of the Group as of December 31, 2001, 2002 and 2003, and the revenues, the net (loss)/income attributable to shareholders and the basic and diluted (loss)/earnings per share of the Group for each of the three years then ended is presented below.

	Note	For the year ended December 31, 2001	2002	2003
		(in thousands of dollars)		
Revenues under US GAAP and HK GAAP	(i)	6,433	29,975	77,073

	Note	For the year ended December 31, 2001	2002	2003
		(in thousands of dollars)		
Net (loss)/income attributable to shareholders under US GAAP		(23,144)	(8,354)	19,572
Reconciliation adjustments, net of tax:				
Allocations of expenses from headoffice	(ii)	1,464	729	763
Imputed interest charge	(ii)	403	435	394
Adjustment for amortization/impairment of goodwill	(iii)	–	789	–
Reversal of amortization of intangibles	(iv)	–	–	629
Net (loss)/income attributable to shareholders under HK GAAP		(21,277)	(6,401)	21,358
(Loss)/earnings per share-basic (cents) under US GAAP	(v)	(0.827)	(0.298)	0.699
(Loss)/earnings per share-basic (cents) under HK GAAP	(v)	(0.760)	(0.229)	0.763

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(a) Summary of principal differences between US GAAP and HK GAAP (continued)

	Note	As of December 31, 2001 (in thousands of dollars)	2002	2003
Total assets under US GAAP		25,626	25,574	67,376
Reconciliation adjustments, net of tax:				
Reversal of goodwill	(iii)	(789)	–	–
Adjustment of intangibles, net	(iv)	–	–	(4,411)
Recognition of negative goodwill arising from the acquisition of the Puccini Group	(vi)	–	–	(1,540)
Total assets under HK GAAP		24,837	25,574	61,425

	Note	As of December 31, 2001 (in thousands of dollars)	2002	2003
Net (liabilities)/assets under US GAAP		(1,233)	(9,464)	14,410
Reconciliation adjustments, net of tax:				
Reversal of goodwill	(iii)	(789)	–	–
Reversal of amotization of intangibles	(iv)	–	–	629
Net (liabilities)/assets under HK GAAP		(2,022)	(9,464)	15,039

Reconciliation on the individual assets, liabilities, revenues, income and/or expenses that are affected by the above GAAP differences as of and for the three years ended December 31, 2001, 2002 and 2003 is presented below:

	As of/For the year ended December 31, 2001			
	US GAAP	Reconciliation adjustments, net of tax		HK GAAP
	(in thousands of dollars)			
Individual assets, liabilities, revenues, income and/or expenses affected by the above GAAP differences				
Intangibles, net	354	(354)	(iv)	–
Goodwill, net	1,949	(789)	(iii)	1,514
		354	(iv)	
General and administrative expenses	(8,808)	1,464	(ii)	(7,344)
Amortization of intangibles	(8)	8	(iv)	–
Amortization of goodwill	–	(8)	(iv)	(8)
Net interest (expense)/income	(347)	403	(ii)	56

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(a) Summary of principal differences between US GAAP and HK GAAP (continued)

	As of/For the year ended December 31, 2002 (in thousands of dollars)			
	US GAAP	Reconciliation adjustments, net of tax		HK GAAP
Individual assets, liabilities, revenues, income and/or expenses affected by the above GAAP differences				
General and administrative expenses	(7,356)	729	(ii)	(6,627)
Provision for impairment of intangibles	(266)	266	(iv)	–
Provision for impairment of goodwill	(1,949)	(278)	(iv)	(1,438)
		789	(iii)	
Amortization of intangibles	(88)	88	(iv)	–
Amortization of goodwill	–	(76)	(iv)	(76)
Net interest (expense)/income	(408)	435	(ii)	27

	As of/For the year ended December 31, 2003 (in thousands of dollars)			
	US GAAP	Reconciliation adjustments, net of tax		HK GAAP
Individual assets, liabilities, revenues, income and/or expenses affected by the above GAAP differences				
Intangibles, net	4,411	(4,411)	(iv)	–
Goodwill, net/(negative goodwill, net)	214	(1,540)	(vi)	(1,326)
Consideration payable	6,580	(4,411)	(iv)	–
		(629)	(iv)	
		(1,540)	(vi)	
General and administrative expenses	(9,133)	763	(ii)	(8,370)
Amortization of intangibles	(629)	629	(iv)	–
Net interest (expense)/income	(320)	394	(ii)	74

Notes:

(i) Discontinuing operations

The revenues for the years ended December 31, 2001, 2002 and 2003 included US$1,974,000, US$4,545,000 and US$1,560,000 that were attributable to sales of Internet access cards. Although the Group has stopped selling such cards by the end of 2002, it continues to provide Internet access services to the card holders until the expiry of the cards and continues to have cashflows related to these operations in 2003. Therefore, it does not meet the criteria for "discontinued operation" under US GAAP while the definition for "discontinuing operation" under HK GAAP has been met primarily because an overall plan to discontinue the Internet access operations was firmly established by the end of 2002. Disclosures on discontinuing operations are required to be presented either in the notes to the financial statements or on the face of the financial statements under HK GAAP; however, such disclosures does not have financial impact on the total revenues of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(a) Summary of principal differences between US GAAP and HK GAAP (continued)

Notes: (continued)

(ii) Headoffice recharges and imputed interests

Prior to the reorganization on September 26, 2003, TOM did not recharge any corporate overhead costs to the Group and interest was not charged on loans made to the Group. Under US GAAP the following items have been included in the historical consolidated financial statements of the Group to properly reflect the financial impact of these related party arrangements:

(a) allocations of certain TOM corporate employee compensation costs, general, administrative, and other expenses to the Group (for those expenses for which a specific identification method was not practicable, the allocation was primarily based on the percentage of the Group's total assets to those of TOM); and

(b) estimated imputed interest charge on the advances from TOM and its subsidiaries since the Group's operations were partly financed through non-interest bearing advances from TOM and its subsidiaries.

The above items are not accounted for under HK GAAP since there is no requirement under HK GAAP for inclusion of such items.

As part of the reorganisation on September 26, 2003, the Company and TOM entered into an administrative services agreement under which TOM would provide certain administrative services to the Group in exchange for service fees. Accordingly, the allocations of TOM corporate expenses noted in (a) above were replaced by an administrative services charge. The charge is required to be recorded under both HK GAAP and US GAAP resulting in the elimination of the GAAP difference in respect of this item thereafter.

(iii) Measurement date for the market price of the acquirer's securities

Under HK GAAP, the value of the acquirer's marketable equity securities issued to effect a purchase business combination is determined on the date of the acquisition which is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer.

Under US GAAP, the value of the acquirer's marketable equity securities issued to effect a purchase business combination should be determined based on the earliest date, from the date the terms of the acquisition are agreed and announced to the date of final application of the formula pursuant to the acquisition agreement, on which subsequent applications of the formula do not result in a change in the number of shares or the amount of other consideration without regard to the need to obtain shareholder and regulatory approvals.

Due to the above GAAP difference, the goodwill arising from the acquisition of China Travel Network Company Limited and its controlled entities (the "CTN Group") in December 2001 and the paid-in capital of the Group under HK GAAP would be less than the corresponding US GAAP amounts by US$789,000 as of December 31, 2001. The total assets and the net assets of the Group as of December 31, 2001 under HK GAAP would be less than the corresponding US GAAP amount by US$789,000. The net loss of the Group for the year ended December 31, 2002, however, decreases by US$789,000 under HK GAAP because the goodwill for the CTN Group that was subject to amortization and impairment (for the unamortized balance) in 2002 under HK GAAP is US$789,000 less than that reported under US GAAP. These reconciling adjustments have no net financial effect on the total assets and the net assets of the Group as of December 31, 2002 since the goodwill arising on the acquisition had been amortized or fully impaired under both US GAAP and HK GAAP by the end of December 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(a) Summary of principal differences between US GAAP and HK GAAP (continued)

Notes: (continued)

(iv) Recognition of intangible assets

Throughout the reporting periods, there are differences between HK GAAP and US GAAP in the recognition of intangible assets in the historical consolidated financial statements of the Group. Under US GAAP, identifiable intangible assets acquired in a business combination are required to be determined separately from goodwill based on fair value. In particular, an intangible asset which is acquired in a business combination should be recognized as an asset apart from goodwill if it satisfies either the "contractual-legal" or "separability" criterion. Intangible assets with indefinite useful lives are not amortized but are subject to an annual impairment test, while intangible assets with finite useful lives are amortized over their useful lives with impairments tests being applied when conditions indicate that an impairment of the intangibles may have occurred. Under HK GAAP, identifiable intangible assets acquired in a business combination have been limited to those assets that can be identified and controlled, and for which future economic benefits attributable to the asset will probably flow to the entity. In the event the criteria cannot be met, intangibles are not recognized and the corresponding amount will be classified as part of goodwill. Further, unless there is an active market for an intangible asset acquired in a business combination that is an acquisition, HK GAAP limits the cost initially recognized for the intangible asset to an amount that does not create or increase any negative goodwill arising at the date of acquisition. As of December 31, 2003, intangible assets of US$4,411,000, which were attributable to the acquisition of the Puccini Group, were recognized in the consolidated balance sheet of the Group under US GAAP. Since these intangible assets did not have an active market at the time of the acquisition and the recognition of these intangible assets would have given rise to negative goodwill under HK GAAP, all such intangible assets would not be recognized as separate intangible assets under HK GAAP but would be recorded as part of negative goodwill. Identifiable intangible assets are amortized over their expected future economic lives with impairment tests being applied when conditions indicate that an impairment of the asset may have occurred.

As mentioned in the above paragraph, certain intangible assets that are recognized as intangible assets under US GAAP but not under HK GAAP would be classified as "goodwill" under HK GAAP, and the net amount of such intangible assets after amortization (i.e. net of amortization of the respective intangible asset) would create the classification GAAP difference between "goodwill" and "intangibles". Accordingly, the respective classifications of amortization charges and provision for impairment are adjusted.

(v) Effect of diluted earnings per share

The amount of diluted earnings per share is not presented under both US GAAP and HK GAAP as there were no dilutive potential ordinary shares in existence for all periods presented.

(vi) Recognition of negative goodwill

Under US GAAP, if a business combination involves a contingent consideration agreement that might result in recognition of an additional element of cost of the acquired entity when the contingency is resolved (a contingency based on earnings), an amount equal to the lesser of the maximum amount of contingent consideration or the excess of fair value of the acquired net assets over the cost of acquisition shall be recognized as if it was a liability. In the case of the acquisition of the Puccini Group, the excess of fair value of the acquired net tangible assets of US$2,308,000 and intangible assets of US$5,040,000, totalling US$7,348,000, over the cost of acquisition of US$768,000 was recognized as a consideration payable of US$6,580,000 in the consolidated balance sheet of the Group as of December 31, 2003.

Under HK GAAP, the excess of the acquirer's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition is negative goodwill which, however, should be presented as a deduction from the assets of the reporting enterprise. In the case of the acquisition of the Puccini Group, the excess of the Group's interest in the fair value of the identifiable assets of US$4,859,000 and identifiable liabilities of US$2,551,000, totalling US$2,308,000, over the cost of acquisition of US$768,000 is negative goodwill of US$1,540,000, which has been presented as a deduction from the assets of the Group, in the same balance sheet classification as goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(b) Other differences between US GAAP and HK GAAP

In addition to the above GAAP differences, the following summarizes other differences between US GAAP and HK GAAP that may be relevant to the Group but do not affect the total assets and the net (liabilities)/ assets of the Group as of December 31, 2001, 2002 and 2003, and the revenues, the net (loss)/income attributable to shareholders and the basic and diluted earnings per share of the Group for each of the three years then ended. This summary of other differences between US GAAP and HK GAAP should not be construed to be exhaustive. In addition, this summary does not cover disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial information of the Group. Further, this summary does not cover future differences between US GAAP and HK GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate US GAAP and HK GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, this summary does not cover all future differences between US GAAP and HK GAAP that may affect the financial positions and results of the Group as a result of transactions or events that may occur in the future.

Accounting for goodwill

Under US GAAP, prior to January 1, 2002, goodwill arising on acquisitions was accounted for as an asset and amortized over the estimated period of benefit ranging from 10 to 20 years. In addition, assessments for impairment of goodwill involved a two-step process with the first step being a comparison of the carrying value of the asset group which includes the goodwill to the total expected undiscounted future cash flows to determine if there is an indication of impairment. Where the carrying value exceeds the expected undiscounted future cash flows, an impairment loss is measured using fair value of the asset group and is charged to the income statement as an expense.

Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which significantly changed the accounting for goodwill under US GAAP, became effective on January 1, 2002. The Group adopted SFAS 142 on January 1, 2002. Under SFAS 142, goodwill and goodwill included in the carrying value of equity method investments are no longer to be amortized. In addition, SFAS 142 requires that goodwill be tested for impairment upon its first adoption and annually thereafter, or more frequently if events or changes in circumstances indicate that it might be impaired, using a prescribed two-step process. The first step screens for potential impairment of goodwill if the fair value of the reporting unit is less than its carrying value, while the second step measures the amount of goodwill impairment, if any, by comparing the implied fair value of goodwill to its carrying value.

Prior to January 1, 2001, under HK GAAP, goodwill arising on the acquisition of subsidiaries, businesses, associated companies or jointly controlled companies was charged directly to reserves on consolidation. With effect from January 1, 2001, upon adoption of Statement of Standard Accounting Practice ("SSAP") No. 30 "Business Combinations" ("SSAP 30"), any goodwill arising from transactions completed from January 1, 2001 onwards is capitalized and amortized on a straight-line basis over its estimated useful life. The amortization charge for each period is recognized as an expense. Generally, goodwill is tested for impairment whenever there are indications that impairment may exist. SSAP 30 does not require goodwill previously eliminated against reserves to be restated as an asset upon the adoption of SSAP 30. However, goodwill that is taken initially to reserves which is not restated as an asset on adoption of SSAP 30 is required to be tested for impairment annually. Goodwill which is amortized over a period exceeding 20 years is also required to be tested for impairment annually. An impairment loss is recognized in the income statement whenever the carrying amount of a cash generating unit to which goodwill belongs exceeds its recoverable amount, which is defined as the higher of net selling price and value-in-use, estimated at each balance sheet date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(b) Other differences between US GAAP and HK GAAP (continued)

Impairment of long-lived assets

US GAAP requires an impairment loss to be recognized for long-lived assets, including property, plant and equipment where a triggering event occurs and the carrying amount of the asset exceeds the future undiscounted cash flows expected to result from use and eventual disposal of the asset. If it is determined that the asset is impaired, the impairment loss recognized is the difference between the carrying amount of the asset and its fair value, being either market value or the sum of future discounted cash flows. Once such impairments have been recorded, reversals of the impairment losses due to subsequent recoveries in value are not allowed.

Under HK GAAP, if an indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized whenever the carrying value of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value-in-use, estimated at each balance sheet date. An impairment of long-lived assets is charged to the profit and loss account as an expense unless it reverses a previous revaluation increase, in which case, it is charged directly against any related revaluation reserve to the extent the reduction does not exceed the amount held in the revaluation reserve in respect of the same item. Any excess will be charged to the profit and loss account. HK GAAP permits the reversal of an impairment loss recognized in prior years where there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Stock-based compensation

Under US GAAP, compensation expense for share options granted is recognized at the date of grant and amortized over the vesting period. The Group accounts for the share option scheme under the recognition and measurement provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. Accordingly, the amount of compensation expense is determined based on the intrinsic value, i.e. the excess, if any, of the quoted market price of the shares over the exercise price of the options at the date of the grant and is amortized over the vesting period of the option concerned. SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") and the related amendments under the provisions of SFAS No. 148 "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148") allow entities to continue applying the provision of APB 25 and provide pro forma net income or loss and pro forma earnings or loss per share disclosures in the notes to financial statements for employee stock options using fair-value based methods of accounting as prescribed in SFAS 123 and SFAS 148.

Under HK GAAP, there is no specific guidance for accounting for grant of share options to employees.

Stock options granted by principal stockholders

Under US GAAP, stock options granted by the principal shareholder to employees are accounted for as shareholder's contribution for the purpose of enhancing or maintaining the value of the shareholder's investment. Compensation expenses relating to such stock options are accounted in the same manner as that for stock options granted by the Group.

Under HK GAAP, stock options granted by the principal shareholder to the Group's employees are not recognized in the financial statements.

Inventories

Under US GAAP, a provision to write down inventories to market value cannot be reversed until the related inventory item is sold.

Under HK GAAP, provisions to write down inventories to their net realisable values can be reversed whenever they are no longer required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*
(Amounts expressed in U.S. dollars, unless otherwise stated)

23. Supplemental information for prospective investors in Hong Kong *(continued)*

(b) Other differences between US GAAP and HK GAAP (continued)

Other comprehensive income

US GAAP establishes standards for the reporting and display of comprehensive income and its components in accounts that is displayed with the same prominence as other accounts. Comprehensive income is composed of two subjects: "net income" and "other comprehensive income". Comprehensive income includes charges or credits to equity other than those resulting from investments by shareholders and distributions to shareholders.

Under HK GAAP there is no specific guidance for recognizing and presenting other comprehensive income. Items of gain and loss that are not recognized in the profit and loss account (such as an unrealized revaluation gain and a foreign exchange translation gain or loss) are recognized in reserves separate from retained earnings and are disclosed in the consolidated statement of changes in equity.

Deferred income taxes

Under US GAAP, deferred tax assets and liabilities are recognized in full for all tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax asset will not be realized.

The Hong Kong Society of Accountants issued SSAP No. 12 "Income taxes" ("SSAP 12 (revised)") in August 2002, which supersedes the previous SSAP No. 12 "Accounting for deferred taxes". The new standards will be effective for accounting periods beginning on, or after January 1, 2003. The Group has adopted SSAP 12 (revised) in the consolidated financial statements during the track record period.

SSAP 12 (revised) requires deferred tax assets and liabilities to be provided in full using the liability method, on temporary differences arising between the tax base of an asset or a liability and its carrying amount in the financial statements at any point in time. Deferred tax assets or liabilities arising from temporary differences need to be measured at the rates enacted or substantially enacted by the balance sheet date. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. EFFECT ON THE NET TANGIBLE ASSET AND NET ASSET VALUE OF THE GROUP

The following is the unaudited pro forma statement of the adjusted combined net tangible assets and net assets of the Group. It is based on the audited net assets of the Group as at 30 June 2003, adjusted to reflect certain events which have taken place since 30 June 2003 and the effect of the acquisitions announced by the Company, including inter alia, the acquisition of Puccini, the issue of the Convertible Bonds and the Proposed Spin-Off.

		HK$'000
Audited net assets of the Group as at 30 June 2003 *(Note 1)*		332,410
Allotment of shares, net of expenses, pursuant to the share placing and subscription agreements *(Note 2)*		996,270
Allotment of shares, net of expenses, relating to acquisition of subsidiaries *(Note 3)*		238,686
Unaudited consolidated net profit of the Group for the three months ended 30 September 2003 *(Note 4)*		18,450
Unaudited movement of reserves of the Group for three months ended 30 September 2003 *(Note 5)*		21,436
The Acquisition completed prior to the Latest Practicable Date *(Note 6)*		
Unaudited net assets of Puccini Group as at 30 September 2003 attributable to the Group	25,159	
Consideration payable for the Puccini Acquisition *(Note 7)*	(5,990)	
		19,169
Issue of the Convertible Bonds *(Note 8)*		
Net proceeds from the issue of the Convertible Bonds	1,138,800	
Increase in liability upon issue of the Convertible Bonds	(1,170,000)	
		(31,200)
Add: negative goodwill arising from the Puccini Acquisition *(Note 9)*		(19,169)
Unaudited adjusted net assets of the Group as at the Latest Practicable Date		1,576,052
Less: goodwill and other intangible assets of the Group as at 30 September 2003	(1,172,166)	
Negative goodwill arising from the Puccini Acquisition *(Note 9)*	19,169	
		(1,152,997)
Unaudited adjusted net tangible assets of the Group as at the Latest Practicable Date		423,055
The Other Acquisition announced prior to the Latest Practicable Date (Note 10)		
Unaudited net assets of the Other Acquisition as at 30 September 2003, attributable to the Group	13,630	
Consideration payable for the Other Acquisition	(25,030)	
		(11,400)
Unaudited pro forma adjusted combined net tangible assets of the Group immediately following the completion of the Other Acquisition and the Puccini Acquisition but before the Proposed Spin-Off		411,655

	HK$'000
Add:	
Goodwill and other intangible assets of the Group as at 30 September 2003 *(Note 11)*	1,172,166
Goodwill arising from the Other Acquisition *(Note 10)*	11,400
Negative goodwill arising from the Puccini Acquisition *(Note 9)*	(19,169)
	1,164,397
Unaudited pro forma adjusted combined net assets of the Group immediately following the completion of the Other Acquisition and the Puccini Acquisition but before the Proposed Spin-Off	1,576,052

The Proposed Spin-Off of the TOM Online Group (Note 12)

	Net proceeds of HK$840 million	**Net proceeds of HK$1,260 million**
Unaudited consolidated net assets for the range from approximately 29.0% to 28.2% of TOM Online Group as at 31 December 2003, to be spun off from the Group and the issue of Initial Consideration Shares *(Note 13)*	(34,034)	(33,063)
Global Offering proceeds from issuance of new TOM Online Shares in relation to the Proposed Spin-Off, net of related expenses, from the range of approximately 71.0% to 71.8% attributable to Group	596,304	904,886
	562,270	871,823
Unaudited pro forma adjusted combined net assets of the Group immediately following the completion of the Proposed Spin-Off	2,138,322	2,447,875
Less:		
Goodwill and other intangible assets of the Group as at 30 September 2003	(1,172,166)	(1,172,166)
Negative goodwill arising from the Puccini Acquisition in the range of approximately 71.0% to 71.8% attributable to the Group *(Note 9)*	13,608	13,766
Goodwill arising from the Other Acquisition *(Note 10)*	(11,400)	(11,400)
	(1,169,958)	(1,169,800)
Unaudited pro forma adjusted combined net tangible assets of the Group immediately following the completion of the Proposed Spin-Off	968,364	1,278,075

	Net proceeds of HK$840 million	Net proceeds of HK$1,260 million
	Value per Share	
	HK cents	*HK cents*
Unaudited adjusted net tangible asset value per TOM Share as at the Latest Practicable Date *(Note 14)*	10.91	10.91
Unaudited adjusted net asset value per TOM Share as at the Latest Practicable Date and unaudited pro forma adjusted combined net asset value per TOM Share immediately following the completion of the Other Acquisition and the Puccini Acquisition but before the Proposed Spin-Off *(Note 14)*	40.64	40.64
Unaudited pro forma adjusted combined net tangible asset value per TOM Share immediately following the completion of the Other Acquisition and the Puccini Acquisition but before the Proposed Spin-Off *(Note 14)*	10.61	10.61
Unaudited pro forma adjusted combined net tangible asset value per TOM Share immediately following the completion of the Proposed Spin-Off *(Note 14)*	24.97	32.95
Unaudited pro forma adjusted combined net asset value per TOM Share immediately following the completion of the Proposed Spin-Off *(Note 14)*	55.14	63.12

Notes:

1. The audited consolidated net assets of the Group is extracted from the Accountants' Report on the Group as at 30 June 2003 as disclosed in the circular relating to the acquisition of Puccini International Limited dated 3 November 2003 (the "Puccini Acquisition Circular").

2. This represents the placing and allotment of 450,000,000 Shares pursuant to the share placing and subscription agreements announced on 3 July 2003. The completion of the placing and subscription took place on 7 July 2003 and 8 July 2003 respectively.

3. This represents the issue and allotment of 82,225,173 Shares in aggregate towards the settlement of the considerations payable in respect of the acquisitions made prior to the Latest Practicable Date. The allotment of Shares relates to the acquisitions of the following 10 subsidiaries: Beijing Redsail Netlegend Data Network Technology Company Limited, China Entertainment Television Broadcast Limited, Cité Publishing Holding Limited, Henan New Tianming Advertising and Information Chuanbo Company Limited, Liaoning New Star Guangming Media Assets Company Limited, Shenyang Sano Global Media Company Limited, Xiamen Bomei Lianhe Advertising Company Limited, Sichuan Southwest Outdoor Media Company Limited, Fujian Seeout Guangming Media Advertising Company Limited and Shandong Qilu International Outdoor Media Company Limited.

4. The unaudited consolidated net profit of the Group for the three months ended 30 September 2003 is extracted from the Group's third quarterly report dated 13 November 2003.

5. This represents the movements of revaluation reserve and exchange translation reserve for the three months ended 30 September 2003.

6. This represents the acquisition of 100% of the issued share capital of Puccini (the "Puccini Acquisition"). The Puccini Acquisition was completed on 19 November 2003.

7. As disclosed in the Puccini Acquisition Circular, the consideration payable for the Puccini Acquisition represented the cash consideration of US$75 million (equivalent to HK$585,000,000) and the allotment of Shares or TOM Online Shares for the amount of US$75 million (equivalent to HK$585,000,000), together with the estimated expenses relating to the Puccini Acquisition of HK$6,000,000. It was assumed that TOM Shares would be issued to satisfy 50% of the consideration in the computation of the unaudited pro forma adjusted net assets of the Group for the purpose of disclosure in the Puccini Acquisition Circular. For the purpose of this circular, however, TOM Online is assumed to be listed and therefore TOM Online Shares will be issued to satisfy the initial consideration of US$18.5 million for the Puccini Acquisition. The effect of the issuance of TOM Online Shares will be reflected in the calculation of the effect resulted from the Proposed Spin-Off.

   Since the initial consideration and the earn-out consideration are both contingent on conditions based upon Puccini's 2004 audited consolidated net profit, for the purpose of this Circular, the consideration payable for the Puccini Acquisition represents only the nominal consideration of approximately HK$8 and the expenses relating to the Puccini Acquisition amounting to HK$5,990,000.

8. This represents the issue of convertible bonds by the Group at par in an aggregate principal amount of US$150 million (approximately HK$1,170 million) on 28 November 2003 (the "Convertible Bords"). The Convertible Bonds were issued by a subsidiary of the Company and will be unconditionally and irrevocably guaranteed by, and convertible into ordinary shares of par value HK$0.1 each, the Company. The increase in liability represents the issue of Convertible Bonds of total amount of US$150 million (approximately HK$1,170 million). The net proceeds from the issue of the Convertible Bonds is estimated to be approximately US$146 million (approximately HK$1,139 million).

9. This negative goodwill arising from the Puccini Acquisition represents the difference between the consideration payable (nominal consideration of approximately HK$8 and the expenses relating to the acquisition totaling HK$5,990,000) and the unaudited net assets of Puccini Group as at 30 September 2003 attributable to the Group of HK$25,159,000.

10. The Other Acquisition announced prior to the Latest Practicable Date represents the acquisition of 49% equity interests in Sanlian Joint Venture, which was announced on 9 September 2002 and 4 November 2003. Goodwill arising from the Other Acquisition represents the difference between the consideration payable of HK$25,030,000 and the unaudited net tangible assets of the Other Acquisition attributable to the Group of HK$13,630,000.

11. Intangible assets include the carrying value of goodwill and other intangible assets of the Group as at 30 September 2003.

12. This represents the spin-off and issue of Initial Consideration Shares of approximately 29.0% to 28.2% equity interests in TOM Online Group. Increase in the net tangible asset value and net asset value of the Group arising form the Global Offering are calculated on the basis of the following key assumptions:

    (a) the net proceeds from the Global Offering are estimated to be in the range of approximately HK$840 million to HK$1,260 million (assuming the Over-allotment Option is not exercised);

    (b) the Global Offering was completed on 30 September 2003;

    (c) the calculation excludes the operating results of the Group subsequent to 30 September 2003;

    (d) the unaudited consolidated net assets of the TOM Online Group as at 31 December 2003 include the unaudited net assets of each of the Core Internet business entities as at 31 December 2003; and

    (e) TOM Online will allot and issue new TOM Online Shares representing the sum of US$18.5 million at the Offer Price to Cranwood prior to the Listing Date in order to satisfy the initial consideration for the acquisition of Puccini.

13. The unaudited consolidated net assets of the TOM Online Group as at 31 December 2003 prepared in accordance with HK GAAP was HK$117,304,200 (US$15,039,000), which is extracted from the summary of principal differences between US GAAP and HK GAAP of the TOM Online Group as set out in note 23(a) of the Accountants' Report of TOM Online Group in the Appendix II to this circular.

14. The unaudited adjusted net tangible asset value per Share and net asset value per Share as at the Latest Practicable Date the unaudited pro forma adjusted combined net tangible asset value and net asset value per Share immediately following the completion of the Other Acquisition, the Puccini Acquisition and before or after the Proposed Spin-Off, are calculated on the basis of 3,878,261,817 Shares in issue as at the Latest Practicable Date.

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2003, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK$885,047,000, comprising unsecured loans from substantial shareholders of the Company of HK$850,000,000, unsecured bank borrowings of HK$32,780,000 and secured bank borrowings of HK$2,267,000. The Group's secured bank borrowings were secured by charges on the bank deposits and certain assets of the Group.

Convertible Bonds

On 28 November 2003, TOM Holdings Limited, a wholly-owned subsidiary of the Company issued convertible bonds (the "Convertible Bonds") in the aggregate principal amount of US$150 million (approximately HK$1,170 million), which are unconditionally and irrevocably guaranteed by, and convertible into ordinary shares of par value HK$0.10 each of, the Company. The Convertible Bonds bear interest at the rate of 0.5% per annum on the principal amount of each Convertible Bond, payable semi-annually in arrear from 28 November 2003 up to but excluding 28 November 2008. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed at 103.86 per cent of their principal amount plus accrued interest on 28 November 2008. The Bondholders have the right at any time on and after 8 January 2004 up to the close of business on 14 November 2008 to convert the Convertible Bonds, at a conversion price, into Shares. The initial conversion price (subject to adjustment) at which a Share will be issued on conversion will be HK$3.315. As at 31 December 2003, the outstanding Convertible Bonds amounted to US$150,096,500 (approximately HK$1,170,753,000).

Contingent liabilities

As at 31 December 2003, the Group had contingent liabilities amounting to approximately HK$9,400,000 in respect of the provision of fixed deposits as securities of bank loans granted to an investee company in which the Group has 50% equity interest.

Capital commitments

As at 31 December 2003, the Group had capital commitments in respect of acquisition of fixed assets and other non-current assets amounting to approximately HK$84,367,000.

As at 31 December 2003, the Group had capital commitments in respect of contributions to the registered capital of certain investments amounting to approximately HK$23,923,000.

Other commitment

As at 31 December 2003, the Group had other commitment in respect of the acquisition of 100% of the beneficial interest in LTWJi through the acquisition of the entire share capital of Puccini amounting to a maximum of approximately HK$1,170 million. According to the Sale and Purchase Agreement, the consideration of the acquisition of Puccini should equal the valuation of Puccini, which is determined based on 7.7 times the audited consolidated net profit of Puccini for the year ending 31 December 2004; or in the event that the audited consolidated net profit of Puccini for the year ending 31 December 2004 is less than an amount equal to 1.2 times the audited consolidated net profit of Puccini for the year ending 31 December 2003, subject to a minimum of HK$37.6 million, the consideration will then be determined based on 6 times the audited consolidated net profit of Puccini for the year ending 31 December 2004. The commitment will be 50% paid in cash and 50% paid by the issue and allotment of TOM Online Shares or, if TOM Online has not been listed on the GEM and/or NASDAQ on or before 31 December 2004, TOM Shares. The number of TOM Online shares or TOM Shares to be issued and allotted as consideration for Puccini is limited such that Cranwood's shareholding in TOM Online or the Company (as the case may be) cannot be equal to or more than 30% of TOM Online's or the Company's issued share capital ("Limit"). The balance due to Cranwood exceeding the Limit, if any, will be paid in cash.

Pledge of assets

As at 31 December 2003, bank deposits and cash totalling approximately HK$21,636,000 were pledged to banks for securing banking facilities granted to the Group and an investee company.

As at 31 December 2003, concession rights and property at net book value of HK$5,614,000 and HK$814,000 respectively were pledged to banks for securing banking facilities granted to the Group.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, the Group did not have any outstanding charges or bank overdrafts, loans and other similar indebtedness or acceptance of credits or hire purchase commitments or any guarantees or other material contingent liabilities as at the close of business on 31 December 2003.

Save as disclosed above, the Directors have confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Group since 31 December 2003.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 December 2003.

3. WORKING CAPITAL

Taking into account the estimated net proceeds of the Global Offering of approximately HK$840 million to HK$1,260 million, financial resources available to the Group, including internally generated funds, the available banking facilities and loans from the substantial shareholders of the Company, in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements.

This Appendix summarises the principal terms of the Pre-IPO Share Option Plan and the Share Option Scheme, but does not form part of, nor it is intended to be part of the rules of the Pre-IPO Share Option Plan or the Share Option Scheme (as the case may be) nor should it be taken as affecting the interpretation of the rules of the Pre-IPO Share Option Plan or the Share Option Scheme (as the case may be):

1. Summary of the principal terms of the Share Option Scheme

(a) Who may join

The TOM Online Board may, at its discretion, invite (i) any part-time or full-time employees or directors (including any non-executive director and independent non-executive director) of the Company and/or any company in the TOM Online Group (an "Employee"), and (ii) any advisor or consultant to the TOM Online Group provided, however, that such advisor or consultant (A) is a natural person, (B) provides *bona fide* services to the TOM Online Group and (C) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly make a market for TOM Online securities: (a "Business Associate") (together, "Participants") (other than any substantial shareholder of TOM Online and/or any of its associates) to take up Options at a price calculated in accordance with sub-paragraph (e) below.

(b) Purpose of the Share Option Scheme

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

(c) Offer and grant of Options

(i) An offer of Options shall be made to a Participant by letter in such form as the TOM Online Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant to whom an offer is made for a period of 28 days from the offer date, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions hereof.

(ii) An offer of Options shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer of Options duly signed by the grantee with the number of TOM Online Shares in respect of which the offer of Options is accepted clearly stated therein, together with a remittance in favour of TOM Online of HK$5.00 (receipt of which shall be deemed to be acknowledged by TOM Online upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the grantee) by way of consideration for the grant thereof, is received by TOM Online. Such remittance shall not be refundable.

(iii) Any offer of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the deadline for TOM Online to publish the announcement of its results for any year, half-year or quarter-year period and (ii) the date of the meeting of the TOM Online Board for the approval of any such results, and ending on the date of the results announcement no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. Such period will cover any period of delay in the publication of the results announcement.

(d) Terms and conditions of Options

Subject to the GEM Listing Rules, Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by any member of the TOM Online Group, the grantee or any group of Participants) as the TOM Online Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the TOM Online Board may determine as aforesaid, (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised and no performance target need to be achieved by the grantee before the Options can be exercised.

(e) Price of TOM Online Shares

The subscription price for TOM Online Shares under the Share Option Scheme will be determined by the TOM Online Board and notified to each grantee and will be no less than the highest of (i) the closing price of the TOM Online Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a Business Day, (ii) the average closing price of the TOM Online Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer and (iii) the nominal value of a TOM Online Share.

(f) Maximum Entitlement of each participant under the Share Option Scheme and number of TOM Online Shares

(1) (i) Subject to paragraph (f)(1)(ii):

(a) The total number of TOM Online Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of TOM Online shall not in aggregate exceed 10% of the total number of TOM Online Shares in issue as at the date of approval of the Share Option Scheme unless TOM Online obtains a fresh approval from its shareholders pursuant to sub-paragraph (f)(1)(i)(b) below. Options lapsed in accordance with the items of the Share Option Scheme will not be counted for the purpose of calculating such 10% limit.

(b) TOM Online may seek approval of its shareholders in general meeting for refreshing the 10% limit set out in sub-paragraph (f)(1)(i)(a) above such that the total number of TOM Online Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of TOM Online under the limit as refreshed shall not exceed 10% of the total number of TOM Online Shares in issue as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating such limit as refreshed. In such case, TOM Online shall send a circular to its shareholders containing the information required under the GEM Listing Rules.

(c) TOM Online may grant Options to specified Participant(s) beyond the 10% limit specified in sub-paragraph f(1)(i)(a) provided that the Options in excess of such limit are specifically approved by its shareholders in general meeting and granted only to Participants specifically identified by TOM Online before such approval is sought. In such case, TOM Online shall send a circular to its shareholders containing the information required under the GEM Listing Rules.

(ii) Notwithstanding anything in sub-paragraph (f)(1)(i) and subject to sub-paragraph (f)(2), the maximum number of the TOM Online Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of TOM Online shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of TOM Online Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of TOM Online if this will result in such limit being exceeded.

(2) (i) Subject to sub-paragraphs (f)(2)(iii) and (iv), the total number of TOM Online Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of TOM Online Shares in issue.

(ii) Notwithstanding sub-paragraph (f)(2)(i), any further grant of Options to a Participant in excess of the 1% limit shall be subject to shareholders' approval with such Participant and his associates abstaining from voting. The number of TOM Online Shares subject to the Options to be granted and the terms of the Options to be granted to such Participants shall be fixed before the shareholders' approval and the date of the meeting of the TOM Online Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, TOM Online shall send a circular to its shareholders containing the information required under the GEM Listing Rules.

(iii) In addition to sub-paragraphs (f)(2)(i) and (f)(2)(ii), any grant of Options to a Participant who is a director, chief executive, management shareholder or substantial shareholder (all having the meaning as ascribed under the GEM Listing Rules) of TOM Online or their respective associates must be approved by the independent non-executive directors of TOM Online (excluding any independent non-executive director who is the Participant).

(iv) Where the TOM Online Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive director of TOM Online or any of their respective associates and such Option which if exercised in full, would result in such Participant becoming entitled to subscribe for such number of TOM Online Shares, when aggregated with the total number of TOM Online Shares already issued, and issuable, to him or her pursuant to all the Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the proposed offer date of such grant (the "Relevant Date"):

(a) representing in aggregate more than 0.1% of the relevant class of securities of TOM Online in issue at the Relevant Date; and

(b) having an aggregate value, based on the closing price of the TOM Online Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the shareholders of TOM Online in general meeting with the Participant concerned and all other connected persons (with the meaning as ascribed under the GEM Listing Rules) of TOM Online to abstain from voting (except where any connected person intends to vote against the relevant resolution). Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. TOM Online shall send a circular to its shareholders setting out such information as required under the GEM Listing Rules.

(v) The maximum number of TOM Online Shares referred to in sub-paragraphs (f)(1) and (f)(2) may be adjusted, in the event of a capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital TOM Online. Any such adjustments must give the Participants the same proportion of equity capital as they were previously entitled and that no adjustments would be made to the extent that a share would be issued at less than its nominal value. In respect of any such adjustments, other than those made on a capitalisation issue, an independent financial advisor or the auditors of TOM Online shall confirm to the Directors in writing that the adjustments satisfy the requirement.

(g) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (the "Option Period") to be notified by the TOM Online Board to each grantee provided that the period within which the Option must be exercised shall be not be more than 10 years from the date of grant of the Option. The TOM Online Board may also impose restrictions on the exercise of the Option during the period an Option may be exercised.

(h) Rights are personal to grantee

An Option shall not be transferred or assigned and is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

(i) Rights on ceasing employment

(1) In the case where the grantee is an Employee and where the grantee ceases to be an Employee for any reason other than his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in paragraph (q)(4), the grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 12 months following the date of such cessation which date shall be the last actual working day with the TOM Online Group whether salary is paid in lieu of notice or not (provided that such exercise is during the relevant Option Period), failing which it will lapse.

(2) In the case where the grantee is an Employee and where the grantee ceases to be an employee or director of TOM Online by reason of the termination of his or her employment or directorships on the grounds that he or she has become insolvent or has made any arrangements or compositions with his or her creditors generally or by reason of actual financial difficulties, the grantee shall only be entitled to exercise the Options up to his or her entitlement as at the date he or she ceased to be an employee or director of TOM Online Group (to the extent not already exercised) within the period of 12 months following the date of such cessation (provided that such exercise is during the relevant Option Period), failing which it will lapse.

(j) Rights on death

In the case where the grantee is an Employee or a Business Associate (in each case, being an individual) dies before exercising the Option in full and none of the events specified in paragraph (q)(4) arises, the personal representative(s) of the grantee shall be entitled during the relevant Option Period to exercise the Option within the period of 12 months following the date of death (provided that such exercise is during the relevant Option Period) up to the entitlement of such grantee as at the date of death (to the extent not already exercised), failing which it will lapse.

(k) Rights on ceasing to be a Business Associate

In the case (1) where the grantee is a Business Associate who is an advisor or consultant to the TOM Online Group or any other person under the definition of Business Associate, in each case, under a fixed term contract, if the grantee ceases to be a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the TOM Online Group for reasons other than (i) on one or more of the grounds specified in paragraph (q)(4), or (ii) on his or her death if the Business Associate is a natural person, or (2) where the grantee is a Business Associate who is an advisor or consultant to the TOM Online Group or its Associated Companies or any other person under the definition of Business Associate, in each case, not under any fixed term contract, if the grantee ceases to be a Business Associate by reason of the grantee ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to TOM Online as may be determined by the TOM Online Board and notified to such Business Associate in writing within one year after the provision of its last services, support, assistance or contribution TOM Online for reasons other than (i) on one or more of the grounds specified in paragraph (q)(4), or (ii) on his or her death if the Business Associate is a natural person, the grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 9 months (or such longer period as the TOM Online Board may determine) following the date of such cessation, which date shall, in the case of (1) above, be the date of expiry of the relevant fixed term contract; and in the case of (2) above, be the date of the aforesaid written notification to the Business Associate, failing which it will lapse.

(l) Rights on take-over

If a general offer by way of take-over is made to all the holders of TOM Online Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved or accepted by the holders of not less than nine-tenths in value of the TOM Online Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining TOM Online Shares, the grantee (or his or her personal representative(s)) may by notice in writing to TOM Online within 21 days of such notice exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in such notice even though the Option Period has not come into effect during the occurrence of the general offer.

(m) Rights on a compromise or arrangement

If a compromise or arrangement between TOM Online and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of TOM Online, takeover offer made to all the holders of shares (or such holders other than the offeror, any person controlled by the offerors and any person acting in association or in concert with the offeror) (to the extent the same does not fall under paragraph (1) above), or the amalgamation of TOM Online with any other company or companies, TOM Online shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of TOM Online summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. TOM Online may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the TOM Online Shares issued as a result of the exercise of Options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such TOM Online Shares been subject to such compromise or arrangement.

(n) Rights on winding up

In the event a notice is given by TOM Online to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up TOM Online, TOM Online shall forthwith give notice thereof to the grantee and the grantee (or his or her legal personal representatives) may by notice in writing to TOM Online (such notice to be received by TOM Online not later than four Business Days prior to the proposed shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and TOM Online shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of TOM Online Shares to the grantee which falls to be issued on such exercise.

(o) Rights on listing of subsidiary

In the event that the grantee:

(i) being an Employee, is an employee or a director of a subsidiary; or

(ii) being a Business Associate who is an advisor, consultant, or goods or service provider or a customer, provides advisory, consultancy or other kind of goods or services, to a subsidiary or is a customer of a subsidiary; or

(iii) being a Business Associate who has supported, assisted or contributed to the TOM Online Group, the contribution is to a subsidiary;

and the shares in such subsidiary (or in any other subsidiary which is a holding company of such subsidiary) shall be listed on, or become publicly traded on any recognised stock exchange, TOM Online may, if the TOM Online Board considers it appropriate, gives notices to the grantee requiring the grantee to exercise the Option (to the extent not already exercised) to its full extent specified in such notice and on such other terns as to exercise period, etc. as the TOM Online Board shall decide. Any Option that is not exercised within the period as set out in the notice will lapse.

(p) Effects of alterations to capital

In the event of a rights issue, sub-division or consolidation of shares or reduction of capital of the share capital of TOM Online or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, whilst any Option remains exercisable, such corresponding alterations (if any) will be made in the subject matter of the Option so far as unexercised or the subscription price, provided that no such adjustment shall be made so that a TOM Online Share would be issue at less than its nominal value or which would give a grantee a different proportion of the issued share capital of TOM Online as that to which he or she was previously entitled and no such adjustment shall be made if such is the result of an issue of TOM Online Shares as consideration in a transaction. Any such adjustments must give the Participants the same proportion of equity capital as they previously entitled. In respect of any such adjustments, an independent financial advisor or the auditors of TOM Online shall confirm to the Directors in writing that the adjustments satisfy the requirement.

(q) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(1) the expiry of the Option Period;

(2) the expiry of the periods referred to in sub-paragraph (i), (j), (k), (1), (n) or (o) respectively;

(3) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (m); and

(4) the date on which:

(i) the grantee being an Employee, ceases to be an employee or director of the TOM Online Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct or has been convicted of any criminal offence involving his or her integrity or honesty; or

(ii) the grantee being a Business Associate who is an advisor, consultant, goods or service provider or customer of the TOM Online Group or who provides support, assistance or contribution to TOM Online, and the Business Associate is under any contract with to TOM Online Group, such contract is terminated by reason of breach of contract on the part of the Business Associate; or

(iii) the grantee being a Business Associate, appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threatens to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets; or has been convicted of any criminal offence involving integrity or honesty,

provided that whether any one or more of the events specified in the above occur in relation to a grantee shall, in the reasonable opinion of the TOM Online Board, be solely and conclusively determined by the TOM Online Board;

(iv) the close of four Business Days prior to the shareholders meeting of TOM Online held for the purpose of extending the voluntary winding-up of TOM Online or the date of the commencement of the winding-up of TOM Online; or

(v) the grantee assigns or transfers any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme; or

(vi) the Option is cancelled by the TOM Online Board as provided in sub-paragraph (u).

An Option granted but not yet vested with the grantee shall also lapse automatically in the event that the grantee being an Employee or Business Associate ceases to be an Employee or Business Associate, as the case may be, for whatever reason.

(r) Ranking of TOM Online Shares

The TOM Online Shares to be allotted upon the exercise of an Option will be subject to TOM Online's articles of association for the time being in force and will rank pari passu with the fully paid TOM Online Shares in issue on the date of exercise of the Option and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the Option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Option provided always that when the date of exercise of the Option falls on a date upon which the register of members of TOM Online is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of TOM Online is re-opened.

(s) Cancellation of Options granted

The TOM Online Board may at any time cancel Options previously granted to, but not yet exercised by a grantee. Where Company cancels Options and offers Options to the same grantee, the offer of such new Option may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the shareholders of TOM Online as mentioned in paragraph (f)(1) above.

(t) Period of Share Option Scheme

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

(u) Alteration to Share Option Scheme

(a) The Share Option Scheme may be altered in any respect by resolution of the TOM Online Board except that the provisions of the scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of grantees or prospective grantees except with the prior approval of TOM Online's shareholders in general meeting (with Participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of TOM Online's shareholders under TOM Online's articles of association for the time being for a variation of the rights attached to the TOM Online Shares.

(b) Any alteration to the terms and conditions of the Share Option Scheme, which is of a material nature, must be approved by the shareholders of TOM Online, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. Subject to sub-paragraph (s) above, the terms of such Option following any such change to the terms of any Option shall be no less favourable to the relevant Participant than the terms of such Option prior to such changes except any alteration of the Share Option Scheme operated to affect the terms of issue of any Option under sub-paragraph (u)(a) above.

(c) Any change to the authority of the TOM Online Board or administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of TOM Online in general meeting.

TOM Online, by ordinary resolution in general meeting or resolution of the TOM Online Board, may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered, but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(v) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the sole shareholder of TOM Online and authorising the TOM Online Board to grant Options, to subscribe for TOM Online Shares thereunder and to allot and issue the TOM Online Shares pursuant to the exercise of any Options granted under the Share Option Scheme; (ii) the approval of the Share Option Scheme by the Shareholders in general meeting; (iii) the GEM Listing Committee granting approval for the listing of, and permission to deal in, any TOM Online Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme, (iv) the obligations of the Underwriters under the underwriting agreement relating to the Hong Kong Public Offer becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise and (v) the commencement of dealings in the TOM Online Shares on GEM.

If the above conditions are not satisfied on or before the date which is 90 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(w) If exercise of a share option is unlawful

If at the time a grantee wishes to exercise an Option, the exercise of the Option in respect of TOM Online Shares or the consequences of such exercise is not permitted by applicable laws, the Option shall not entitle the grantee to subscribe for TOM Online Shares, but shall entitle the grantee to receive the amount by which the net proceeds of sale of the TOM Online Shares the subject of the Option shall exceed the subscription price for such TOM Online Shares, the TOM Online Shares shall be sold in the market by TOM Online, and the subscription price for such TOM Online Shares shall be credited to its share capital and capital reserves.

(x) Administration

The Share Option Scheme is administered by the TOM Online Board or a committee of the TOM Online Board and the decision of the TOM Online Board or such committee shall be final and binding on all parties. The TOM Online Board (or such committee) shall have the right (i) to interpret and construe the provisions of the Share Option Scheme, (ii) to determine the persons who will be awarded Options under the Share Option Scheme, and the number and subscription price of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it deems necessary provided always that, subject to paragraph (s) above, the terms of such Options following any such adjustment shall be no less favourable to the relevant Participant than the terms of such Option prior to such adjustment, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the TOM Online Shares which may be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

2. Summary of terms of the Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan is to recognise the contribution of certain employees of the TOM Online Group to the growth of the TOM Online Group and/or to the listing of TOM Online Shares on GEM. The principal terms of the Pre-IPO Share Option Plan conditionally approved by a written resolution of TOM Online passed on 12 February 2004 (which is still subject to certain conditions as referred to in paragraph (v) in the section headed "Summary of Terms of the Share Option Scheme" above) are substantially the same as the terms of the Share Option Scheme (other than its purpose which is mentioned above) and except that:

(a) the subscription price for TOM Online Shares is the Offer Price;

(b) the total number of TOM Online Shares subject to the Pre-IPO Share Option Plan will be 280,000,000 TOM Online Shares (representing 10 per cent. of the TOM Online Shares in issue as at the Latest Practicable Date and the date of the EGM, based on 2,800,000,000 Shares in issue as at the Latest Practicable Date and the date of the EGM); and

(c) save for the Options which have been granted, no further Options will be offered or granted, as the right to do so will end on the day immediately prior to the Listing Date.

Application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the TOM Online Shares which may be issued pursuant to be exercise of Options granted under the Pre-IPO Share Option Plan.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares

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

Notes:

1. By virtue of the SFO, Mr. Sing Wang is deemed to be interested in 5,898,000 Shares held by Amerinvest Technology Associates I Limited, which is wholly-owned by him.

2. All the 5,898,000 Shares have been pledged as a security against his personal loan.

(b) Rights to acquire Shares

Pursuant to the pre-IPO share option plan and/or the share option scheme of the Company, certain Directors were granted share options to subscribe for Shares, details of which as at the Latest Practicable Date were as follows:

Name of Directors	Date of grant	Number of share options outstanding as at the Latest Practicable Date	Option period	Subscription price per Share *HK$*
Sing Wang	30/6/2000	3,000,000	30/6/2000 – 29/6/2010	5.27
	8/8/2000	2,138,000	8/8/2000 – 7/8/2010	5.30
	7/2/2002	20,000,000	7/2/2002 – 6/2/2012	3.76
	9/10/2003	38,000,000	9/10/2003 – 8/10/2013	2.505
Tommei Tong	9/10/2003	15,000,000	9/10/2003 – 8/10/2013	2.505
James Sha	15/11/2000	15,000,000	15/11/2000 – 14/11/2010	5.30
Wang Lei Lei	11/2/2000	9,080,000	11/2/2000 – 10/2/2010	1.78
	9/10/2003	6,850,000	9/10/2003 – 8/10/2013	2.505

(c) Short positions in associated corporations

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

Mr. Wang Lei Lei has also as of 19 November 2003 granted an option to a wholly-owned subsidiary of the Company in respect of his 80% (RMB800,000) equity interest in LTWJi whereby such wholly-owned subsidiary of the Company has the right at any time within a period of 10 years commencing from 19 November 2003 (which may be extended for another 10 years at the option of such wholly-owned subsidiary of the Company) to acquire all of Mr. Wang Lei Lei's equity interest in LTWJi at an exercise price of RMB800,000.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons/companies (not being a Director or chief executive of the Company) who have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of shareholders	**Capacity**	**No. of Shares held**	**Approximate percentage of shareholding**
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 *(Notes 1 & 2)*	36.85%
Li Ka-Shing Unity Trustee Corporation Limited *(as trustee of The Li Ka-Shing Unity Discretionary Trust)*	Trustee & beneficiary of a trust	1,429,024,545 *(Notes 1 & 2)*	36.85%
Li Ka-Shing Unity Trustcorp Limited *(as trustee of another discretionary trust)*	Trustee & beneficiary of a trust	1,429,024,545 *(Notes 1 & 2)*	36.85%
Li Ka-Shing Unity Trustee Company Limited *(as trustee of The Li Ka-Shing Unity Trust)*	Trustee	1,429,024,545 *(Notes 1 & 2)*	36.85%
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545 *(Notes 1 & 2)*	36.85%

Name of shareholders	Capacity	No. of Shares held	Approximate percentage of shareholding
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 *(Note 1)*	12.28%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 *(Note 1)*	12.28%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 *(Note 1)*	12.28%
Romefield Limited	Beneficial owner	476,341,182 *(Note 1)*	12.28%
Hutchison Whampoa Limited	Interest of a controlled corporation	952,683,363 *(Note 2)*	24.57%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 *(Note 2)*	24.57%
Easterhouse Limited	Beneficial owner	952,683,363 *(Note 2)*	24.57%
Chau Hoi Shuen	Interest of controlled corporations	952,683,363 *(Note 3)*	24.57%
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	952,683,363 *(Note 3)*	24.57%
Schumann International Limited	Beneficial owner	580,000,000 *(Note 3)*	14.96%
Handel International Limited	Beneficial owner	348,000,000 *(Notes 3 & 4)*	8.97%

Notes:

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

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

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

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold units in The Li Ka-Shing Unity Trust.

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

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 Shares and 952,683,363 Shares held by Romefield Limited and Easterhouse Limited respectively.

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

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

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

(4) Pursuant to the stock borrowing agreements each dated 6 November 2003, Handel International Limited has lent an aggregate of 30,588,236 Shares to two financial institutions.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following companies/persons were interested in 10% or more of the equity/shareholding interests of the subsidiaries of the Company:

Name of subsidiaries	Name of shareholders	No. and class of shares held	Percentage of Shareholding
Y.C. Press Advertising Limited	Fung's Advertising Limited	600 ordinary shares	10%
Y.C. Press Advertising Limited	Yangcheng Enterprise Limited	1,200 ordinary shares	20%
YCP Advertising Limited	Fung's Advertising Limited	1 ordinary share	10%
YCP Advertising Limited	Yangcheng Enterprise Limited	2 ordinary shares	20%
Beijing GreaTom United Technology Co. Ltd.	Great Wall Technology Company Ltd.	Registered capital RMB2,500,000	10%
廣東羊城報業廣告有限公司	羊城晚報經濟發展總公司	Registered capital RMB396,000	20%
廣東羊城報業廣告有限公司	Zhong Hai Qiang	Registered capital RMB198,000	10%
廣東羊城報業體育發展有限公司	羊城晚報經濟發展總公司	Registered capital RMB1,000,000	20%
廣東羊城廣告有限公司	羊城晚報經濟發展總公司	Registered capital RMB1,000,000	20%
Perfect Team Limited	China Media Network (BVI) Limited	1,400,000 ordinary shares	35%
Yazhou Zhoukan Holdings Limited	Skyland International Investment Limited	5,000 ordinary shares	50%
Cernet Information Technology Company Limited	賽爾網絡有限公司	Registered capital RMB29,400,000	49%
Nong Nong Magazine Co., Ltd.	Barbizon Interculture Publication Co., Ltd.	50,000 ordinary shares	20%
Panasia Publishing Co., Ltd.	Mariz Gestao E Investimentos Limitada	700,000 ordinary shares	35%

Name of subsidiaries	Name of shareholders	No. and class of shares held	Percentage of Shareholding
Tennis Management Limited	Spectrum International Holding Limited	40 ordinary shares	40%
Shandong Qilu International Outdoor Media Company Limited	Jinan Qilu Xinjiye Advertising Company Limited	Registered capital RMB4,400,000	40%
Liaoning New Star Guangming Media Assets Company Limited	New Star Prosperity Advertising Company Limited	Registered capital RMB4,000,000	40%
Shenyang Sano Global Media Company Limited	Shenyang Sano Jinxiang Advertising Co., Ltd.	Registered capital RMB1,200,000	40%
Xiamen Bomei Lianhe Advertising Company Limited	Xiamen Bomei Advertising Company Limited	Registered capital RMB600,000	40%
Henan New Tianming Advertising & Information Chuanbo Company Limited	Beijing Tianming International Investment Management Company Limited	Registered capital RMB3,000,000	50%
Qingdao Chunyu Advertising Chuanbo Company Limited	Qingdao Chunyu Advertising and Décor Construction Company Limited	Registered capital RMB450,000	30%
Sichuan Southwest Outdoor Media Company Limited	Sichuan Southwest International Advertising Company	Registered capital RMB900,000	30%
Fujian Seeout Guangming Media Advertising Company Limited	Fujian Seeout Outdoor Advertising Company Limited	Registered capital RMB1,500,000	30%
CNPIT TOM Culture Company Limited	中圖信息技術有限公司	Registered capital RMB1,500,000	30%
廣州市鴻翔音像製作有限公司	Zhang Hongcheng (alias Zhang Baocheng)	Registered capital RMB400,000	50%
Guangzhou Hongxiang Audio-Video Company Limited	廣州市鴻翔影視有限公司	Registered capital RMB690,000	50%

Name of subsidiaries	Name of shareholders	No. and class of shares held	Percentage of Shareholding
Hong Xiang Entertainment (Hong Kong) Co. Ltd	Zhang Hongcheng (alias Zhang Baocheng)	1 ordinary share	50%
China Entertainment Television Broadcast Limited	Turner Broadcasting System Asia Pacific, Inc.	10,778 ordinary shares	35.93%

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman of the Company and a non-executive Director respectively, are executive directors of Hutchison and directors of certain of its Associates (collectively referred to as "Hutchison Group"). Mr. Frank Sixt is also a non-executive director of Cheung Kong. Mr. Edmond Ip, a non-executive Director, is an executive director of Cheung Kong and a director of certain of its Associates (collectively referred to as "Cheung Kong Group"). Both Hutchison Group and Cheung Kong Group are engaged in e-commerce projects and operate general information portals. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Mr. Sing Wang, an executive Director and Chief Executive Officer of the Company, holds 4.55% of the equity interests in北京雅寶在線拍賣有限公司("Yabuy Online") whose main business consists of the operation of yabuy.com, an online auction website in the PRC. The Directors believe that there is a risk that the business of Yabuy Online may compete with those of the Group.

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

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

5. OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, options to subscribe for an aggregate of 200,757,000 Shares granted pursuant to the pre-IPO share option plan and the share option scheme of the Company were outstanding. Details of which are as follows:

(1) Pre-IPO Share Option Plan of the Company

As at the Latest Practicable Date, options to subscribe for an aggregate of 16,196,000 Shares at a subscription price of HK$1.78 per Share were outstanding. These options were granted to 3 persons who are employees of the Group at the date of grant. All of these options have a duration of 10 years from 11 February 2000, but shall lapse where the grantee ceases to be employed by the Group or the Hutchison Group.

(2) Share Option Scheme of the Company

Options to subscribe for an aggregate of 184,561,000 Shares (which includes the options granted to Mr. Sing Wang, Ms. Tommei Tong, Mr. James Sha and Mr. Wang Lei Lei as disclosed above) were outstanding as at the Latest Practicable Date, breakdown of which are set out below:

Date of grant	No. of share options	No. of employees	Subscription price per Share *HK$*	Option period* (commencing from date of grant and terminating ten years thereafter)
23/3/2000	2,622,000	62	11.30	23/3/2000 – 22/3/2010
31/5/2000	2,332,000	1	4.685	31/5/2000 – 30/5/2010
26/6/2000	1,192,000	34	5.89	26/6/2000 – 25/6/2010
30/6/2000	3,000,000	1	5.27	30/6/2000 – 29/6/2010
8/8/2000	17,484,000	144	5.30	8/8/2000 – 7/8/2010
15/11/2000	15,000,000	1	5.30	15/11/2000 – 14/11/2010
7/2/2002	37,810,000	8	3.76	7/2/2002 – 6/2/2012
9/10/2003	105,121,000	54	2.505	9/10/2003 – 8/10/2013

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

6. INTERESTS OF THE JOINT SPONSORS

As at the Latest Practicable Date, as updated and notified by Citigroup and Morgan Stanley, acting as Joint Sponsors, neither of the Joint Sponsors nor any of their respective directors or employees or associates has any interests in the securities of TOM Online, including options or rights to subscribe for such securities.

7. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2002, the date to which the latest published audited accounts of the Group were made up.

8. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	**Qualifications**
Rothschild	Restricted licence bank and deemed registered institution
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of Rothschild and PricewaterhouseCoopers has given and has not withdrawn its written consent to the inclusion of its report and/or letter in this circular, and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, neither Rothschild nor PricewaterhouseCoopers has any shareholding interest in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. SERVICE CONTRACTS

Each of Mr. Sing Wang and Ms. Tommei Tong, being all the executive Directors and Mr. Wang Lei Lei, being a non-executive Director, has entered into a continuous service contract with the Group commencing from 1 June 2000 in the case of Mr. Sing Wang, 17 March 2003 in the case of Ms. Tommei Tong, and 1 January 2000 in the case of Mr. Wang Lei Lei (prior to his appointment as a Director, he was and still continues to be an employee of the Group). The terms of each contract are continuous unless terminated by not less than three months' notice in writing served by either party on the other. Each of these Directors is entitled to the basic salary set out below (subject to review in December of each year). In addition, the above Directors are also entitled to a management bonus payable in December of each year at the discretion of the Board. Neither of the above Directors is entitled to vote on board resolutions in relation to any management bonus payable to him or her. The current basic annual salaries of the above Directors are as follows:

	HK$
Sing Wang	2,768,016
Tommei Tong	1,502,040
Wang Lei Lei	1,053,919

Save as disclosed above, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within two years preceding the Latest Practicable Date or may be material:

1. A deed of termination dated 7 February 2002 entered into between CTN Holdings Limited ("CTN Holdings"), Super Travel Limited ("Super Travel") and Blue Quartz Limited ("Blue Quartz") whereby the parties agreed to terminate the shareholders agreement dated 4 October 1999 entered into between the parties and to release each party from all obligations owed to the other parties under such shareholders agreement upon the terms and conditions set out in the deed of termination.

2. A non-competition and confidentiality deed dated 7 February 2002 entered into between Blue Quartz, China Travel Network Company Limited ("CTN"), W.T. Consolid Investment Holdings Limited, Guangdong Suntek Information Industrial Co., Ltd. ("Suntek") and Super Travel relating to a share sale and purchase agreement dated 14 December 2001 and an equity transfer contract dated 11 November 2001.

3. A framework agreement dated 28 February 2002 entered into between New Star Prosperity Advertising Company Limited ("New Star"), Li Pei-an, Wang Bing-bing and TOM Outdoor Media Group Limited ("TOM OMG") whereby TOM OMG has agreed to acquire 60% of the equity interest in Liaoning New Star Guangming Media Assets Company Limited ("New Star Media"), as amended by the supplemental agreements dated 27 September 2002 and 20 December 2002 respectively entered into between the same parties.

4. A framework agreement dated 5 March 2002 entered into between TOM Solutions Limited ("TOM Solutions"), Zhang Bao-cheng ("Mr. Zhang") whereby TOM Solutions has agreed to acquire 50% of the equity interest in a sino-foreign joint venture enterprise to be established in the PRC by Mr. Zhang, as amended by a supplemental agreement dated 27 December 2002 and 30 June 2003.

5. A loan agreement dated 8 March 2002 entered into between Beijing Super Channel and Laurstinus Limited (" Laurstinus") whereby Laurstinus advanced a certain sum to Beijing Super Channel.

6. A framework agreement dated 13 March 2002 entered into between TOM OMG, Henan Tianming Advertising Company Limited ("Tianming") and Jiang Ming whereby TOM OMG has agreed to acquire 50% of the equity interest in Henan New Tianming Advertising & Information Chuanbo Company Limited ("Tianming Advertising"), as amended by the supplemental agreements dated 29 November 2002, 20 December 2002 and 23 July 2003 respectively entered into between the same parties.

7. A loan agreement dated 27 March 2002 entered into between Aztec Technology (Club) Limited ("Aztec"), SoftChina Limited ("SoftChina") and Texcept Limited ("Texcept") whereby SoftChina agreed to provide security for a short term loan facility to be granted by Texcept to Aztec.

8. A first fixed and floating charge over assets of Aztec dated 27 March 2002 entered into between Aztec as borrower and Texcept as lender whereby Texcept agreed to grant a short term loan facility to Aztec conditional upon (inter alia) entering into the first fixed and floating charge.

9. An assignment of rental deposits dated 27 March 2002 entered into between Aztec, SoftChina and Texcept whereby Aztec as 1st assignor together with and SoftChina as 2nd assignor agreed to assign the rental deposits in favour of Texcept as security for the short term loan facility advanced under the loan agreement dated 27 March 2002.

10. A loan agreement dated 10 April 2002 entered into between TOM OMG, Qingdoa Chunyu Advertising and Dećor Construction Company Limited ("Chunyu") and Ou-yang Gang ("Mr. Ou-yang") whereby TOM OMG agreed to advance a certain sum to Mr. Ou-yang.

11. A share pledge agreement dated 10 April 2002 entered into between Shenzhen Freenet Advertising, 青島春雨實業有限公司 and Mr. Ou-yang pursuant to which 青島春雨實業有限公司 and Mr. Ou-yang agreed to charge their 60% and 20% respective equity interest in Chunyu to Shenzhen Freenet Advertising in consideration of the loan advanced pursuant to the loan agreement dated 10 April 2002.

12. A supplemental agreement dated 16 May 2002 entered into between Marie Claire Album S.A. ("MCA"), Societe D'information Et De Creations SARL ("SIC"), Barbizon Interculture Publication Co., Ltd. ("BIP"), Nong Nong Magazine Co., Ltd. ("NNM"), the Company, Business Weekly Publishing Inc. ("Business Weekly") and Diamond Profits Limited ("Diamond") which supplements the shareholders' agreement dated 8 November 2000 entered into between MCA, SIC, BIP, NNM and Business Weekly relating to Asia Press Publishing Co., Ltd. (formerly known as Interasia Publishing Co., Ltd.).

13. A share pledge agreement dated 1 June 2002 entered into between Shenzhen Freenet Advertising and Mr. Wang Cheng-cheng whereby Mr. Wang Cheng-cheng agreed to pledge his 80% equity interest in Sano Jinxiang Advertising Company Limited ("Sano") to Shenzhen Freenet Advertising.

14. A loan agreement dated 1 June 2002 between TOM OMG, Mr. Wang Cheng-cheng and Sano whereby TOM OMG agreed to advance a certain sum to Mr. Wang Cheng-cheng.

15. A supplemental shareholders' agreement dated 3 June 2002 entered into between AA Stocks International Limited ("AA Stocks"), All Asia Financial LLC ("All Asia"), TOM Stocks Limited ("TOM Stocks"), Westport Financial LLC ("Westport") and MKT Holdings (Cayman Islands) Limited ("MKT") whereby the parties agreed to amend the shareholders' agreement dated 28 April 2000.

16. A share transfer agreement dated 17 June 2002 entered into between TOM.COM INTERNATIONAL and TOM.COM (China), pursuant to which TOM.COM INTERNATIONAL agreed to transfer all of its shareholding in Shanghai Super Channel Network Limited to TOM.COM (China).

17. A framework agreement dated 21 June 2002 entered into between TOM OMG, Sano, and Mr. Wang Cheng-cheng whereby TOM OMG has agreed to acquire 60% of the equity interest in Shenyang Sano Global Media Company Limited ("Sano Media"), as amended by a supplemental agreement dated 20 December 2002 entered into between the same parties.

18. A framework agreement dated 26 June 2002 entered into between TOM OMG, Xiamen Bomei Advertising Company Limited, Chen Maosheng and Chen Huiqian whereby TOM OMG has agreed to acquire 60% of the equity interest in Xiamen Bomei Lianhe Advertising Company Limited ("Bomei Advertising"), as amended by a supplemental agreement dated 20 December 2002 entered into between the same parties.

19. A framework agreement dated 26 June 2002 entered into between TOM OMG, Fujian Seeout Outdoor Advertising Company Limited ("Seeout"), Li Guoping and Guo Xiaoyang and whereby TOM OMG has agreed to acquire 70% of the equity interest in Fujian Seeout Guangming Media Advertising Company Limited ("Seeout Media"), as amended by a supplemental agreement dated 15 January 2003 entered into between the same parties.

20. A loan agreement dated 8 July 2002 entered into between China Media Network (BVI) Limited ("China Media") and TOM Centro Limited ("TOM Centro") as lender and Perfect Team Limited ("Perfect Team") as borrower pursuant to which China Media and TOM Centro agreed to advance a loan to Perfect Team.

21. A loan agreement dated 25 July 2002 entered into between Devine Gem Management Limited ("Devine Gem"), Mr. Wang Lei Lei and Ms. Wang Xiu Ling ("Ms. Wang"), pursuant to which Devine Gem provided Mr. Wang Lei Lei and Ms. Wang a certain sum respectively, to be invested exclusively in LTWJi.

22. A framework agreement dated 1 August 2002 entered into between TOM OMG, Sichuan Southwest International Advertising Company, Chengdu Boguang Broadcasting Information Company Limited whereby TOM OMG agreed to acquire 70% of the equity interest in Sichuan Southwest Outdoor Media Company Limited, as amended by the supplemental agreements dated 20 December 2002 and 15 January 2003 entered into between the same parties.

23. A share transfer agreement dated 8 August 2002 entered into between Mr. Wang Lei Lei and Ms. Wang whereby Mr. Wang Lei Lei agreed to transfer his entire equity interest in Beijing Lei Ting to Ms. Wang.

24. A share transfer agreement dated 8 August 2002 entered into between Mr. Wang Lei Lei and Ms. Wang whereby Mr. Wang Lei Lei agreed to transfer 60% of his equity interest in Beijing Lu Ji Ling to Ms. Wang.

25. A sole exclusive right to purchase shares agreement dated 8 August 2002 entered into among others, Lahiji, Ms. Wang and Mr. Wang Lei Lei in relation to the sole exclusive right for Lahiji Vale Limited ("Lahiji") to purchase entire equity interest of Beijing Lei Ting.

26. A sole exclusive right to purchase shares agreement dated 8 August 2002 entered into among others, Lahiji, Ms. Wang and Mr. Wang Lei Lei in relation to the sole exclusive right for Lahiji to purchase the entire equity interest of Beijing Lu Jing Ling.

27. A share pledge agreement dated 8 August 2002 entered into between Lahiji and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Beijing Lei Ting to Lahiji.

28. A share pledge agreement dated 8 August 2002 entered into between Lahiji and Ms. Wang whereby Ms. Wang agreed to pledge 80% of her equity interest in Beijing Lu Jin Ling to Lahiji.

29. A share pledge agreement dated 8 August 2002 entered into between Lahiji and Mr. Wang Lei Lei whereby Mr. Wang Lei Lei agreed to pledge his entire equity interest in Beijing Lei Ting to Lahiji.

30. A share pledge agreement dated 8 August 2002 entered into between Lahiji and Mr. Wang Lei Lei whereby Mr. Wang Lei Lei agreed to pledge 20% of his equity interest in Beijing Lu Ji Ling to Lahiji.

31. A loan agreement dated 8 August 2002 between Lahiji and Ms. Wang whereby Lahiji agreed to grant a loan to Ms. Wang for general working capital of Beijing Lei Ting.

32. A loan agreement dated 8 August 2002 between Lahiji and Ms. Wang whereby Lahiji agreed to grant a loan to Ms. Wang for general working capital of Beijing Lu Jing Ling.

33. A loan agreement dated 8 August 2002 between Lahiji and Mr. Wang Lei Lei whereby Lahiji agreed to grant a loan to Mr. Wang Lei Lei for general working capital of Beijing Lei Ting.

34. A loan agreement dated 8 August 2002 between Lahiji and Mr. Wang Lei Lei whereby Lahiji agreed to grant a loan to Mr. Wang Lei Lei for general working capital of Beijing Lu Ji Ling.

35. A share purchase agreement dated 15 August 2002 entered into between Spectrum International Holding Limited ("Spectrum International"), Modern Perfect Developments Limited ("Modern Perfect"), Lincoln Serejo Venancio ("Mr. Venancio") and Tennis Management Limited ("Tennis Management") with respect to the sale and purchase of 60% of the issued share capital of Tennis Management ("TML Share Purchase Agreement"), as amended by a deed of variation dated 31 October 2003 entered into between the same parties.

36. An exercise notice dated 23 August 2002 given by TOM Fashion Limited ("TOM Fashion") to Opus Consultants Limited ("Opus"), Push Design Limited ("Push Design") and Alpine Holdings International Limited ("Alpine") whereby TOM Fashion gives notice to exercise the option to purchase the shares of She.com International Holdings Limited ("She.com") in accordance with the shareholders' agreement dated 25 May 2000 as supplemented by, inter alia: (i) a deed of adherence dated 29 August 2000 entered into between She.com and

Extremes Enterprises Limited ("Extremes"); (ii) the deed of adherence and supplemental agreement to the shareholders' agreement dated 24 May 2001 entered into between Alpine, She.com, TOM Fashion, Opus, Push Design, Derek Emory Yeung ("Derek Yeung"), Lam Wai Shan ("LWS"), Jeremy Lam Hou Wai ("Jeremy Lam") and Extremes; and (iii) the supplemental agreement dated 24 November 2001 entered into between Alpine, TOM Fashion, Opus, Push Design, She.com, Derek Yeung, LWS, Jeremy Lam and Extremes. ("She.com Shareholders' Agreement").

37. A pledge agreement dated 1 September 2002 entered into between Qilu International Advertising Company Limited ("Qilu"), Jinan Qilu Xinjiye Outdoor Advertising Company Limited ("Jinan Qilu") and Shandong Qilu International Outdoor Media Company Limited ("Qilu Media").

38. A loan agreement dated 3 September 2002 entered into between Beijing Super Channel and TOM.COM (China) whereby TOM.COM (China) advanced to Beijing Super Channel a certain sum.

39. A sale and purchase agreement dated 6 September 2002 entered into between TOM.COM INTERNATIONAL and 36 Solutions Limited relating to the acquisition of web development and marketing production business.

40. A letter of intent dated 9 September 2002 entered into between 生活•讀書•新知三聯書店 ("Sanlian") and TOM.COM INTERNATIONAL with respect to the establishment of a joint venture in the PRC.

41. A loan agreement dated 11 September 2002 entered into between Beijing Super Channel and TOM.COM (China) whereby TOM.COM (China) advanced to Beijing Super Channel a certain sum.

42. A letter of intent dated 18 September 2002 entered into between 電腦報社, 重慶中科普傳媒發展股份有限公司 and TOM.COM INTERNATIONAL relating to the establishment of a joint venture company in the PRC.

43. A shareholders' agreement dated 20 September 2002 ("TML Shareholders' Agreement") entered into between Modern Perfect, Spectrum International, Mr. Venancio and Tennis Management.

44. A letter dated 20 September 2002 given by TOM.COM INTERNATIONAL to Spectrum International confirming that in the event that Modern Perfect is unable to perform its obligation under clause 26 of the TML Shareholders' Agreement, such obligation shall be undertaken by TOM.COM INTERNATIONAL.

45. A deed of indemnity dated 20 September 2002 entered into between Spectrum International, Mr. Venancio, Tennis Management and Modern Perfect whereby Spectrum International and Mr. Venancio have agreed to give certain tax indemnities in favour of Tennis Management and its subsidiaries.

46. A deed of charge dated 20 September 2002 entered into between Spectrum International and Modern Perfect pursuant to which Spectrum International agreed to enter into this deed in favour of Modern Perfect in order to secure certain obligation of Spectrum International under the TML Share Purchase Agreement.

47. An escrow letter dated 20 September 2002 relating to the appointment of Barlow Lyde & Gilbert ("BLG") as an escrow agent by Spectrum International and Modern Perfect to hold the certificate for 18,299,238 Shares, as amended by a supplemental escrow agreement dated 20 March 2003, 20 April 2003, 28 May 2003, 25 June 2003, 27 August 2003 and 31 October 2003 with respect to the extension of the appointment of BLG as an escrow agent.

48. A letter dated 18 October 2002 given by TOM Fashion to Opus, Push Design and Alpine with respect to the extension of option period to purchase the shares of She.com pursuant to the She.com Shareholders' Agreement.

49. A supplemental agreement dated 29 October 2002 entered into between Diamond and 宏嘉創業投資股份有限公司 which supplements the stock purchase agreement dated 11 December 2001 ("BW Stock Purchase Agreement").

50. A deed of adherence dated 29 October 2002 given by Windsor Hill Corporation in favour of Diamond and TOM.COM INTERNATIONAL.

51. A supplemental agreement dated 29 October 2002 entered into between Diamond and PC Home Publications Inc. ("PC Home") which supplements to the BW Stock Purchase Agreement.

52. A supplemental agreement dated 29 October 2002 entered into between Diamond, Chih Nan Investment Co., Ltd., Jeng Da Investment Co., Ltd. and James Jin which supplements to the BW Stock Purchase Agreement.

53. A deed of adherence dated 29 October 2002 given by Golden River Holdings Limited in favour of Diamond and TOM.COM INTERNATIONAL.

54. A pledge agreement dated 1 November 2002 entered into between Seeout and Seeout Media.

55. An ISP cooperation agreement dated 4 November 2002 between Beijing Lei Ting and Cernet Info, as amended in May 2003. Pursuant to this agreement, Cernet Info provides a dial-in number to customers of Beijing Lei Ting to access the Internet and Beijing Lei Ting pays a monthly usage fee. In addition, the parties share the profits equally. Notwithstanding the above, Beijing Lei Ting will pay a fixed monthly usage fee to Cernet Info for the period from May 2003 to October 2003. This agreement will expire on 1 November 2003, with an automatic extension of one year if no party objects.

56. A memorandum of understanding dated 21 November 2002 entered into between TOM.COM INTERNATIONAL, Henan Ming Sheng Advertising Co. Ltd., Niu Zhi Min and Wang Li Jun relating to the formation of a joint venture company in the PRC.

57. A memorandum of understanding dated 21 November 2002 entered into between TOM.COM INTERNATIONAL, Beijing Charm Art & Advertising Co. Ltd., Dang He and Chou Wei Hua relating to the formation of a joint venture company in the PRC.

58. A license agreement dated 21 November 2002 between Cernet Info and Beijing Lei Ting pursuant to which, Beijing Lei Ting granted a license to Cernet Info to use the TOMNET trademark, but Cernet Info does not have the right to sub-license the TOMNET trademark to any third parties without prior consent from Beijing Lei Ting. Beijing Lei Ting also permits Cernet Info to use various related network resources and customer information of TOMNET. The term of this agreement is from 21 November 2002 to 20 November 2004.

59. A termination & novation agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Advanced Internet Services Limited ("Advanced Internet Services") and Shenzhen Freenet with respect to (1) termination of the loan agreement dated 21 August 2002 entered into between Mr. Wang Lei Lei and Shenzhen Freenet whereby Mr. Wang Lei Lei advanced a certain sum to Shenzhen Freenet exclusively for contributing to the registered capital of Shenzhen Freenet; and (2) novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services with respect to a certain sum of the shareholders' loan under the same loan agreement.

60. A novation agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Advanced Internet Services and Shenzhen Freenet relating to the novation of all rights, obligation and liabilities from Mr. Wang Lei Lei to Shenzhen Freenet pursuant to the loan agreement dated 17 January 2001 entered into between Mr. Wang Lei Lei and Advanced Internet Services.

61. A novation agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Advanced Internet Services and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the loan agreement dated 17 January 2001 entered into between Mr. Wang Lei Lei and Shenzhen Freenet.

62. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the novation agreement dated 2 March 2001 entered into between Mr. Sing Wang, Mr. Wang Lei Lei and Shenzhen Freenet whereby Mr. Sing Wang has assigned all his rights title interest and benefits of and novated all his obligations and liabilities under the loan agreement dated 10 December 1999 to Mr. Wang Lei Lei.

63. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Shenzhen Freenet pursuant to the novation agreement dated 2 March 2001 entered into between Mr. Sing Wang, Mr. Wang Lei Lei and Advanced Internet Services whereby Mr. Sing Wang has assigned all his rights, title, interest and benefits of and novated all his obligations and liabilities under the loan agreement dated 10 December 1999 to Mr. Wang Lei Lei.

64. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the novation agreement dated 2 March 2001 entered into between Mr. Sing Wang, Mr. Wang Lei Lei and Shenzhen Freenet whereby Mr. Sing Wang has assigned all his rights, title, interest and benefits of and novated all his obligations and liabilities under the loan agreement dated 15 December 2000 to Mr. Wang Lei Lei.

65. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Shenzhen Freenet pursuant to the novation agreement dated 2 March 2001 entered into between Mr. Sing Wang, Mr. Wang Lei Lei and Advanced Internet Services whereby Mr. Sing Wang has assigned all his rights, title, interest and benefits of and novated all his obligations and liabilities under the loan agreement dated 2 November 2000 to Mr. Wang Lei Lei.

66. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Shenzhen Freenet pursuant to the first loan agreement dated 29 December 2000 and the second loan agreement dated 5 June 2001, both entered into between Mr. Wang Lei Lei and Advanced Internet Services.

67. A novation agreement dated 25 November 2002 entered into between Advanced Internet Services, Mr. Wang Lei Lei and Shenzhen Freenet relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the first loan agreement dated 29 December 2000 and the second loan agreement dated 5 June 2001, both entered into between Mr. Wang Lei Lei and Shenzhen Freenet.

68. A termination agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services with respect to the termination of a loan agreement dated 21 May 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

69. A termination agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Mr. Sing Wang with respect to the termination of a loan agreement dated 21 May 2001 entered into the same parties whereby Mr. Wang Lei Lei advanced a certain sum to Mr. Sing Wang for his onward lending to Shenzhen Freenet.

70. A termination and novation agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services with respect to: (i) the termination of a loan agreement dated 21 August 2002 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet; and (ii) the novation of obligations and liabilities from Mr. Wang Lei Lei to Shenzhen Freenet pursuant to the loan agreement dated 21 August 2002 with respect to the certain sum of the shareholders' loan.

71. A termination agreement dated 25 November 2002 entered into between Mr. Wang Lei Lei and Advanced Internet Services with respect to the termination of a supplemental loan agreement dated 30 March 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

72. A loan agreement dated 25 November 2002 entered into between Ms. Wang, Advanced Internet Services and Shenzhen Freenet, pursuant to which Advanced Internet Services granted Ms. Wang a loan facility, the proceeds of which shall be used exclusively towards the working capital of Shenzhen Freenet or Redsail. Advanced Internet Services has a right to demand payment of loan at any time.

73. A loan agreement dated 25 November 2002 entered into between Advanced Internet Services, Ms. Wang and Shenzhen Freenet, pursuant to which Advanced Internet Services agreed to grant a certain sum to Ms. Wang for the exclusive purpose of contributing towards registered capital of Shenzhen Freenet.

74. An equity transfer agreement dated 25 November 2002 with respect to the transfer of 70% equity interests in Shenzhen Freenet from Mr. Wang Lei Lei to Ms. Wang.

75. A sole exclusive right to purchase shares agreement dated 25 November 2002 entered into between Advanced Internet Services and Mr. Wang Lei Lei in relation to the sole exclusive right for Advanced Internet Services to purchase the entire equity interest of Shenzhen Freenet.

76. A sole exclusive right to purchase shares agreement dated 25 November 2002 entered into between Advanced Internet Services and Ms. Wang in relation to the sole exclusive right for Advanced Internet Services to purchase the entire equity interest of Shenzhen Freenet.

77. An equity pledge agreement dated 25 November 2002 entered into between Advanced Internet Services and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Shenzhen Freenet to Advanced Internet Services.

78. An equity pledge agreement dated 25 November 2002 entered into between Advanced Internet Services and Mr. Wang Lei Lei whereby Mr. Wang Lei Lei agreed to pledge his entire equity interest in Shenzhen Freenet to Advanced Internet Services.

79. A novation agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the loan agreement dated 29 December 2000 and supplemental loan agreement dated 30 March 2001 entered into between the same parties.

80. A novation agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services relating to the novation of all rights, obligations and liabilities from Mr. Wang Lei Lei to Advanced Internet Services pursuant to the loan agreement dated 21 August 2002 entered into between the same parties.

81. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services with respect to the termination of a loan agreement dated 21 August 2002 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

82. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services with respect to the termination of a loan agreement dated 21 May 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

83. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei, Shenzhen Freenet and Advanced Internet Services with respect to the termination of a loan agreement dated 27 June 2002 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

84. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Advanced Internet Services with respect to the termination of a loan agreement dated 29 December 2000 and a supplemental agreement dated 30 December 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet.

85. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Lahiji with respect to the termination of a loan agreement dated 8 August 2002 entered into the same parties whereby Lahiji advanced a certain sum to Mr. Wang Lei Lei to invest in Beijing TOM International Advertising Limited ("Beijing TOM.COM INTERNATIONAL").

86. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Advanced Internet Services with respect to the termination of a loan agreement dated 24 December 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to 深圳市新易網通網絡信息技術有限公司 ("新易網通").

87. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Hitech Profits Limited ("Hitech") with respect to the termination of a loan agreement dated 6 December 2000 entered into the same parties whereby Hitech advanced a certain sum to Mr. Wang Lei Lei to invest in 昆明風馳企業顧問諮詢有限公司 ("風馳顧問").

88. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Lahiji with respect to the termination of a loan agreement dated 8 August 2002 entered into the same parties whereby Lahiji advanced a certain sum to Mr. Wang Lei Lei to invest in Beijing Lei Ting.

89. A termination agreement dated 1 December 2002 entered into between Mr. Wang Lei Lei and Advanced Internet Services with respect to the termination of a loan agreement dated 18 April 2001 entered into the same parties whereby Advanced Internet Services advanced a certain sum to Mr. Wang Lei Lei for his onward lending to Shenzhen Freenet Advertising.

90. A sale and purchase agreement dated 3 December 2002 entered into between Texcept and Team Wish Enterprises Limited relating to the purchase of assets.

91. A capital transfer agreement dated 2 December 2002 entered into between Shenzhen Freenet, Ms. Zhang Jing ("Ms. Zhang") and Mr. Zhang Hongcheng (known as Mr. Zhang), pursuant to which Ms. Zhang agreed to transfer all her capital injected in 廣州市鴻翔音像製作有限公司 ("Hong Xiang") and Mr. Zhang agreed to transfer part of his capital injected in Hong Xiang to Shenzhen Freenet.

92. A deed of settlement dated 4 December 2002 entered into between TOM.COM INTERNATIONAL and International Merchandising Corporation relating to the termination of an agreement dated 8 March 2000 entered into between the same parties.

93. A sale and purchase agreement dated 6 December 2002 entered into between Cup Limited and TOM (Cup Magazine) Publishing Limited ("TOM (Cup Magazine)") with respect to the transfer of the business and proprietorship of Cup Magazine and AV Magazine ("Magazines"), certain employees, certain fixed assets and the past contents of the Magazines to TOM (Cup Magazine).

94. A subscription agreement dated 27 December 2002 ("Cité Subscription Agreement") entered into between Cité Publishing Holding Limited ("Cité Publishing Holding"), TOM Print Media Group Limited ("TOM Print Media"), persons named in schedule 1 of Cité Subscription Agreement and Mr. Jan Hung-Tze ("Mr. Jan") in respect of subscription of new shares in Cité Publishing Holding and sale and purchase of shareholding interests in Business Weekly, Sharp Point Publishing Co., Limited ("Sharp Point") and Home Media Group Limited ("HMG") as amended by a supplemental agreement dated 31 March 2003, 30 April 2003 and 31 May 2003 entered into between the same parties.

95. A share sale and purchase agreement dated 17 January 2003 entered into between TOM Print Media and Business Weekly.

96. A letter dated 17 January 2003 given by TOM Fashion to Opus, Push Design and Alpine with respect to the extension of option period to purchase the shares of She.com pursuant to the She.com Shareholders' Agreement.

97. A stock purchase agreement dated 14 February 2003 entered into between TOM Print Media, Cité Publishing Holding and Mr. Jan with respect to the acquisition of up to an aggregate of 11.645% of the issued share capital of Cité Publishing Holding by TOM Print Media, such agreement was being amended by a supplemental agreement dated 30 April 2003 entered into between the same parties.

98. A letter dated 20 March 2003 given by TOM Fashion to Opus, Push Design and Alpine whereby the option period is expired and lapsed on 21 March 2003.

99. A facility letter dated 1 April 2003 entered into between The Development Bank of Singapore Limited as the lender and the Company as the borrower.

100. A cooperation agreement dated 11 April 2003 entered into between Beijing Lei Ting and China Unicom. Pursuant to this agreement, Beijing Lei Ting agreed to provide SMS services to China Unicom's mobile phone users through its UNI-Info platform. This agreement will expire on 11 April 2004.

101. A surrender agreement dated 14 April 2003 entered into between Metro Broadcast Corporation Limited and the Company.

102. A framework agreement dated 30 April 2003 entered into between TOM.COM INTERNATIONAL, 北京紅帆譽翔公用電話有限公司 ("Redsail Yuxiang") and 北京三錦泰和科技發展有限公司 ("三錦泰和") with respect to the acquisition of 60% of the equity interest in Redsail as amended by a supplemental agreement dated 30 May 2003 entered into between the same parties.

103. An equity transfer agreement dated 30 April 2003 entered into between Redsail Yuxiang, 三錦泰和 and Beijing Lei Ting with respect to the acquisition of 60% of the equity interest in Redsail as amended by an agreement dated 30 May 2003 entered into between the same parties.

104. A cooperation agreements entered into between Beijing Lei Ting and Beijing Mobile Communication Company Limited ("Beijing Mobile") which became effective on 1 May 2003, and entered with Guangdong Mobile Communication Company Limited in November 2003, both subsidiaries of China Mobile. Pursuant to these agreements, Beijing Lei Ting agreed to provide SMS services to the mobile phone users of the respective China Mobile subsidiary through the Monternet platform. These agreements will expire on 30 April 2004 and November 2004, respectively.

105. A licence agreement dated 15 May 2003 entered into between Texcept as the licensor and SoftChina as the licensee whereby Texcept agreed to grant the license to use the assets to SoftChina.

106. A lease agreement dated 3 June 2003 entered into between LTWJi and Redsail. Pursuant to this lease agreement, LTWJi agreed to lease from Redsail two seats in its customer service center in Beijing so that LTWJi can provide customer services to its users of wireless IVR services. This agreement expires on 3 June 2004. LTWJi entered into a supplemental lease agreement with Redsail on 9 September 2003 to lease 12 additional seats.

107. A deed of waiver dated 9 June 2003 entered into between Alpine, TOM Fashion and Extremes whereby She.com absolutely and irrevocably waives and renounces all its rights pursuant to Clause 10 of She.com Shareholders' Agreement.

108. A tenancy agreement dated 16 June 2003 entered into between 北京經開科創科技孵化器有限公司 and LTWJi, in relation to the lease of Room 422, Block A, No. 12 Hong Huan Bei Lu, Beijing Economic and Technology Development District, Beijing, the PRC for a period of one year expiring on 16 June 2004.

109. A sub-tenancy agreement dated 15 June 2003 entered into between TOM.COM (China) and TOM.COM INTERNATIONAL (Beijing Representative Office) in relation to the sub-lease of the room 908D of 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006.

110. A sub-tenancy agreement dated 15 June 2003 entered into between TOM.COM (China) and 北京國佳通信息諮詢有限公司 in relation to the sub-lease of the room 902C of 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1 – 31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006.

111. A sub-tenancy agreement dated 15 June 2003 entered into between TOM.COM (China) and 英屬維爾京群島唐碼戶外傳媒集團北京代表處 in relation to the sub-lease of the room 902b of 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1 – 31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006.

112. A share purchase agreement dated 18 June 2003 entered into between TOM Stocks, EC.COM INC. ("EC.COM"), Moses Tsang Kwok Tai ("Mr. Tsang"), All Asia and AA Stocks relating to the sale and purchase of 252,641 shares in AA Stocks to EC.COM by TOM Stocks.

113. A termination agreement to the shareholders' agreement dated 28 April 2000 and new shareholders' agreement dated 18 June 2003 entered into between AA Stocks, All Asia, TOM Stocks, Westport, MKT, EC.COM and Mr. Tsang relating to the sale and purchase of 252,641 shares in AA Stocks to EC.COM by TOM Stocks.

114. A share purchase agreement dated 2 July 2003 entered into between Turner Broadcasting System Asia Pacific, Inc. ("TBSAP"), TOM Television Group Limited ("TOM TV"), Turner Broadcasting System, Inc. ("TBS") and the Company relating to the sale and purchase of 64.07% of the issued share capital of CETV, as amended on 28 August 2003 entered into between the same parties.

115. A deed of indemnity dated 2 July 2003 entered into between the Company and TBSAP relating to the proposed acquisition of 4,800 shares of CETV from Lark International Multimedia Limited.

116. A deed of indemnity dated 2 July 2003 entered into between the Company and TBSAP relating to the proposed acquisition of 1,200 shares of CETV from Mr. Chua Wah Peng, Robert.

117. A tenancy agreement dated 2 July 2003 entered into between Beijing Oriental and Beijing Super Channel in relation to the lease of the whole of 8th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006, as amended by a supplemental tenancy agreement dated 13 February 2004.

1118. A tenancy agreement 2 July 2003 entered into between Beijing Oriental and TOM.COM (China) in relation to the lease of Rooms 1-6, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006, as amended by a supplemental tenancy agreement dated 13 February 2004.

119. A tenancy agreement 2 July 2003 entered into between Beijing Oriental and TOM.COM (China) in relation to the lease of Rooms 7-8, 9th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 June 2006, as amended by a supplemental tenancy agreement dated 13 February 2004.

120. A service agreement dated 2 July, 2003 entered into between Hutchison International Limited and TOM.COM INTERNATIONAL relating to provision of administrative services and operation-related consultancy services to TOM.COM INTERNATIONAL and its subsidiaries (from time to time) by Hutchison International Limited and its subsidiaries.

121. An information technology consultancy agreement dated 2 July, 2003 entered into between Hutchison International Limited and TOM.COM INTERNATIONAL relating to provision of information technology consultancy services to tom.com international limited and its subsidiaries (from time to time) by Hutchison International Limited and its subsidiaries.

122. An advertising services agreement dated 2 July 2003 between Hutchison International Limited and TOM.COM INTERNATIONAL relating to provision of print and publishing services, advertising services, public relations and sports event management services and website development and maintenance services to Hutchison International Limited and its subsidiaries (from time to time) by TOM.COM INTERNATIONAL and its subsidiaries.

123. An advertising services agreement dated 2 July 2003 between Cheung Kong (Holdings) Limited and TOM.COM INTERNATIONAL relating to provision of print and publishing services, advertising services, public relations and sports event management services and website development and maintenance services to Cheung Kong (Holdings) Limited and its subsidiaries (from time to time) by TOM.COM INTERNATIONAL and its subsidiaries.

124. A media services agreement dated 2 July 2003 between Hutchison Global Communications Limited and TOM.COM INTERNATIONAL relating to provision of telecommunications and internet related services to TOM.COM INTERNATIONAL and its subsidiaries (from time to time) by Hutchison Global Communications Limited and its subsidiaries.

125. A media services agreement dated 2 July 2003 between Hutchison Telecommunications (Hong Kong) Limited and TOM.COM INTERNATIONAL relating to provision of telecommunications and internet related services to TOM.COM INTERNATIONAL and its subsidiaries (from time to time) by Hutchison Telecommunications (Hong Kong) Limited and its subsidiaries.

126. A placing agreement dated 3 July 2003 entered into between Schumann International Limited, Citigroup Global Markets Limited and the Company, pursuant to which Citigroup Global Markets Limited will purchase or procure purchasers to acquire, and Schumann International Limited will sell in aggregate 450,000,000 existing shares of the Company at a price of HK$2.30 per share.

127. A subscription agreement dated 3 July 2003 entered into between the Company as an issuer and Schumann International Limited as a subscriber, pursuant to which Schumann International Limited has conditionally agreed to subscribe for 450,000,000 new shares of the Company in total at HK$2.30 per share.

128. A financing facility agreement dated 10 July 2003 entered into between (1) Cité Publishing Limited, Business Weekly, PC Home and Sharp Point as the co-borrowers; (2) The Development Bank of Singapore Ltd, Taipei Branch, Credit Lyonnais, Taipei Branch, United Overseas Bank Limited, Taipei Branch, Bank Sinopac, The Bank of Nova Scotia, Taipei Branch as the banks; (3) The Development Bank of Singapore Ltd as the coordinating arranger and facility agent; and (4) Bank Sinopac as the fiscal agent.

129. A loan agreement dated 22 July 2003 entered into between TOM OMG, Li Jian and Dynamic Net Developments Limited ("Dynamic") whereby TOM OMG agreed to lend a certain sum to Li Jian and Dynamic.

130. A share pledge agreement dated 25 July 2003 entered into between Redsail Yuxiang; 趙學英, Resail and Beijing Lei Ting in relation to the pledge of the 1,260,068 shares of the Company by Redsail Yuxiang in favour of Beijing Lei Ting and Redsail.

131. A share pledge agreement dated 25 July 2003 entered into between 三錦泰和, 趙學英, Redsail and Beijing Lei Ting in relation to the pledge of the 282,872 shares of the Company by 三錦泰和 in favour of Beijing Lei Ting and Redsail.

132. An agreement dated 21 July 2003 entered into between Cité Publishing Holding, TOM Print Media, Pan Sy Zuan and Mr. Jan whereby Pan Sy Zuan agreed to (i) sell to Cité Publishing Holding all his shareholding in HMG; (ii) subscribe for 0.78% of the enlarged issued share capital of Cité Publishing Holding; and (iii) sell one half of his shareholding in Cité Publishing Holding to TOM Print Media on substantially the same terms and conditions as those offered to the other minority shareholders of HMG.

133. A customer service center lease agreement dated 30 July 2003 entered into between GreaTom and Redsail. Pursuant to this lease agreement, GreaTom leases from Redsail one seat in its customer service center in Beijing for the provision of certain services to customers of GreaTom. The term is from 15 August 2003 to 15 August 2004.

134. A content license agreement dated 6 August 2003 entered into ChinaPlus and GreaTom. Pursuant to this agreement, ChinaPlus granted a non-exclusive license to GreaTom for, inter alia, the use, broadcast, exhibit, transmission and downloading by website users of certain wireless contents through the Internet, wireless telecommunications equipment or other media. The term of this content license agreement is from 6 August 2003 to 5 August 2004.

135. A tenancy agreement dated 14 August 2003 entered into between Beijing Oriental and LTWJi, in relation to the lease of the Rooms 7-8 of 5th Floor, Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC for a period of 3 years expiring on 14 August 2006, as amended by a supplemental tenancy agreement dated 13 February 2004.

136. A share transfer agreement dated 28 August 2003 entered into between Shenzhen Freenet and Ms. Wang, Mr. Sheng Yong ("Mr. Sheng") pursuant to which Shenzhen Freenet agreed to transfer its 40% and 30% equity interests in 廣東羊城廣告有限公司 to Ms. Wang and Mr. Sheng, respectively.

137. An escrow letter dated 2 September 2003 relating to the appointment of Scotiatrust (Asia) Limited ("Scotiatrust") as an escrow agent by Redsail Yuxiang, Redsail, Beijing Lei Ting and 趙學英 to hold the certificate for 1,260,068 ordinary shares of the Company.

138. An escrow letter dated 2 September 2003 relating to the appointment of Scotiatrust as an escrow agent by 三錦泰和, Redsail, Beijing Lei Ting and 趙學英 to hold the certificate for 282,872 ordinary shares of the Company.

139. A shareholders' agreement dated 15 September 2003 entered into between Jian Ming, Tianming, TOM OMG, 北京天明國際投資管理有限公司 ("Tianming International"), 風馳顧問 and Tianming Advertising, pursuant to which certain terms set out in the Tianming Framework Agreement are amended.

140. A shareholders' deed dated 15 September 2003 entered into between TOM TV, TBSAP, the Company, TBS and CETV under which, among other things, TOM TV will provide CETV with funding for working capital purposes of CETV as determined by the board of directors of CETV from time to time.

141. An option deed dated 15 September 2003 entered into between TOM TV, TBSAP, the Company and TBS, pursuant to which TOM TV agreed to grant to TBSAP a call option over all of the 19,222 ordinary shares of HK$0.30 each in the capital of CETV held by TOM TV upon the terms and subject to the conditions set out in the deed.

142. A program management agreement dated 15 September 2003 entered into between TBSAP, CETV and TOM TV, under which TBSAP will provide certain programming management services to CETV at such fee agreed by TBSAP and CETV.

143. An asset purchase agreement dated 15 September 2003 entered into between TBSAP and CETV, pursuant to which CETV will acquire from TBSAP certain office equipments (such as computers and printers) at a consideration of HK$1 upon the terms and subject to the conditions set out in the agreement.

144. A tax deed dated 15 September 2003 entered into between TBSAP and CETV, pursuant to which TBSAP will indemnify CETV against certain tax liabilities (such as profits tax, stamp duty and estate duty) incurred by CETV from 31 May 2000 to 15 September 2003 and which are not disclosed in the audited accounts of CETV for the years ended 31 December 2001 and 31 December 2002, respectively.

145. A tenancy agreement dated 16 September 2003 entered into between 匯龍森國際企業孵化（北京）有限公司 and Puccini, in relation to the lease of Room B407-5, No. 14 Zhong He Street, Beijing Economic and Technology Development District, Beijing, the PRC for a period of one year expiring on 30 September 2004.

146. A restructuring agreement dated 20 September 2003 entered into between the Company, TOM Online and Rich Wealth Holdings Limited ("Rich Wealth"), pursuant to which the Company and Rich Wealth agreed to transfer to TOM Online their 100% interest in the issued share capital of Lahiji, Laurstinus and Advanced Internet Services, respectively.

147. A license agreement dated 21 September 2003 (as amended on the same date) entered into between Dragonfly GF Co, Ltd. ("Dragonfly") as a licensor and Beijing Lei Ting as a licensee, pursuant to which Dragonfly agreed to grant Beijing Lei Ting the license to market, sell, distribute and publish "KARMA ONLINE" program and related user documentation for use.

148. A loan agreement dated 21 September 2003 entered into between the Company as a lender and Laurstinus as a borrower.

149. A loan agreement dated 21 September 2003 entered into between the Company as a lender and Lahiji as a borrower.

150. A loan agreement dated 21 September 2003 entered into between the Company as a lender and Advanced Internet Services as a borrower.

151. A novation agreement dated 25 September 2003 entered into between Ms. Wang, Mr. Wang Lei Lei, Devine Gem and Puccini, under which, Ms. Wang, Mr. Wang Lei Lei and Devine Gem agreed the novation of all rights, obligations and liabilities from Devine Gem to Puccini as set out in the (a) share option agreement dated 25 July 2002 entered into between Ms. Wang, Mr. Wang Lei Lei, Devine Gem and LTWJi; and (b) share pledge agreement dated 25 July 2002 entered into between Ms. Wang, Mr. Wang Lei Lei and Devine Gem.

152. A novation agreement dated 25 September 2003 entered into between Mr. Wang Lei Lei, Ms. Wang, Devine Gem, and Puccini, under which, all parties agreed the novation of all rights, obligations and liabilities from Devine Gem to Puccini as set out in the loan agreement dated 25 July 2002 entered into between Ms. Wang, Mr. Wang Lei Lei and Devine Gem.

153. An investment attorney agreement dated 25 September 2003 entered into between Puccini, Mr. Wang Lei Lei and Ms. Wang, pursuant to which all parties acknowledged the provision of certain sums to Ms. Wang and Mr. Wang Lei Lei respectively by Puccini to invest in LTWJi as registered capital.

154. A share transfer agreement dated 25 September 2003 entered into between 長城計算機軟件與系統有限公司 ("Great Wall Computer"), TOM.COM (China), 長城科技股份有限公司 ("Great Wall Technology") and Shenzhen Freenet, pursuant to which Great Wall Computer agreed to transfer its 20% equity interest in GreaTom to Shenzhen Freenet.

155. A supplemental agreement dated 25 September 2003 entered into between TOM.COM (China), Great Wall Technology and Shenzhen Freenet, which supplements the agreement dated 2 January 2001 entered into between TOM.COM (China), Great Wall Computer and Great Wall Technology in relation to the establishment of GreaTom.

156. A sale and purchase agreement dated 25 September 2003 entered into between Cranwood as a vendor, Bright Horizon Enterprises Limited ("Bright Horizon") as a purchaser, the Company as a guarantor and TOM Online as a guarantor with respect to the sale and purchase of the entire issued share capital of Puccini, which provides wireless IVR services in China through LTWJi, as amended by a supplemental agreement dated 29 October 2003 entered into between Cranwood, Bright Horizon, the Company, TOM Online and Ms. Chau Hoi Shuen.

157. A supplemental loan agreement dated 26 September 2003 entered into between Lahiji and Ms. Wang whereby Lahiji agreed to provide Ms. Wang a long term loan to be invested exclusively in Beijing Lei Ting, which supplements to the loan agreement dated 8 August 2002 entered into the same parties.

158. A supplemental loan agreement dated 26 September 2003 entered into between Advanced Internet Services and Ms. Wang whereby Advanced Internet Services agreed to provide Ms. Wang a long term loan to be invested exclusively in Shenzhen Freenet, which supplements to the loan agreement dated 25 November 2002 entered into the same parties.

159. A loan agreement dated 26 September 2003 entered into between Advanced Internet Services and Mr. Sheng whereby Advanced Internet Services agreed to provide Mr. Sheng a long term loan to be invested exclusively in Shenzhen Freenet.

160. A supplemental loan agreement dated 26 September 2003 entered into between Advanced Internet Services and Ms. Wang which is supplemental to the novation agreement made in relation to the loan agreement dated 26 September 2003 between the parties and Mr. Sheng Yong.

161. A supplemental share pledge agreement dated 26 September 2003 entered into between Beijing Super Channel, Lahiji and Ms. Wang relating to the novation of all rights, obligations and liabilities from Lahiji to Beijing Super Channel, pursuant to the share pledge agreement dated 8 August 2002 entered into between Ms. Wang and Lahiji. Pursuant to the supplemental share pledge agreement, Ms. Wang pledges to Beijing Super Channel all of her interest in Beijing Lei Ting to guarantee the performance by Beijing Lei Ting of its obligations under the exclusive technical and consulting services agreement between Beijing Lei Ting and Beijing Super Channel. The term of the agreement is from the date of the registration of this pledge with the relevant PRC regulatory authority until the termination or expiration of the exclusive technical and consulting services agreement between Beijing Super Channel and Beijing Lei Ting.

162. A share pledge agreement dated 26 September 2003 entered into between Beijing Super Channel and Mr. Wang Lei Lei, pursuant to which Mr. Wang Lei Lei pledges to Beijing Super Channel all of his interest in Beijing Lei Ting to guarantee the performance by

Beijing Lei Ting of its obligations under the exclusive technical and consulting services agreement between Beijing Lei Ting and Beijing Super Channel. The term of the agreement is from the date of the registration of this pledge with the relevant PRC regulatory authority until the termination or expiration of the exclusive technical and consulting services agreement between Beijing Super Channel and Beijing Lei Ting.

163. A share pledge agreement dated 26 September 2003 entered into between Beijing Super Channel and Mr. Sheng, pursuant to which Mr. Sheng pledges to Beijing Super Channel all of his interest in Shenzhen Freenet to guarantee the performance by Shenzhen Freenet of its obligations under the exclusive technical and consulting services agreement between Shenzhen Freenet and Beijing Super Channel. The term of the agreement is from the date of the registration of this pledge with the relevant PRC regulatory authority until the termination or expiration of the exclusive technical and consulting services agreement between Beijing Super Channel and Shenzhen Freenet.

164. A share pledge agreement dated 26 September 2003 entered into between Beijing Super Channel and Ms. Wang, pursuant to which Ms. Wang pledges to Beijing Super Channel all of her interest in Shenzhen Freenet to guarantee the performance by Shenzhen Freenet of its obligations under the exclusive technical and consulting services agreement between Shenzhen Freenet and Beijing Super Channel. The term of the agreement is from the date of the registration of this pledge with the relevant PRC regulatory authority until the termination or expiration of the exclusive technical and consulting services agreement between Beijing Super Channel and Shenzhen Freenet.

165. A share option agreement dated 26 September 2003 entered into between Ms. Wang, Lahiji and Beijing Lei Ting, pursuant to which Ms. Wang granted Lahiji an exclusive option to purchase all of her interest in Beijing Lei Ting when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

166. A share option agreement dated 26 September 2003 entered into between Mr. Wang Lei Lei, Lahiji and Beijing Lei Ting, pursuant to which Mr. Wang Lei Lei granted Lahiji an exclusive option to purchase all of his interest in Beijing Lei Ting when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

167. A share option agreement dated 26 September 2003 entered into between Ms. Wang, Advanced Internet Services and Shenzhen Freenet, pursuant to which Ms. Wang granted Advanced Internet Services an exclusive option to purchase all of her interest in Shenzhen Freenet when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

168. A share option agreement dated 26 September 2003 entered into between Mr. Sheng, Advanced Internet Services and Shenzhen Freenet, pursuant to which Mr. Sheng granted Advanced Internet Services an exclusive option to purchase all of his interest in Shenzhen Freenet when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

169. A business operation agreement dated 26 September 2003 entered into between Beijing Super Channel, Beijing Lei Ting, Ms. Wang and Mr. Wang Lei Lei, pursuant to which Beijing Super Channel agreed to act as a performance guarantor for Beijing Lei Ting in respect of its transactions with third parties. In return, Beijing Lei Ting granted Beijing Super Channel a security interest over all of its assets. In addition, Beijing Lei Ting and all of its Shareholders agreed that Beijing Lei Ting will not carry on any transactions that may materially adversely affect its operations and will appoint Beijing Super Channel's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

170. A business operation agreement dated 26 September 2003 entered into between Beijing Super Channel, Shenzhen Freenet, Ms. Wang and Mr. Sheng, pursuant to which Beijing Super Channel agreed to act as a performance guarantor for Shenzhen Freenet in respect of its transactions with third parties. In return, Shenzhen Freenet granted Beijing Super Channel a security interest over all of its assets. In addition, Shenzhen Freenet and all of its Shareholders agreed that Shenzhen Freenet will not carry on any transactions that may materially adversely affect its operations and will appoint Beijing Super Channel's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

171. A novation agreement dated 26 September 2003 entered into between Advanced Internet Services, Ms. Wang and Mr. Sheng, pursuant to which Mr. Sheng assumes all of the rights and obligations of Ms. Wang with respect certain loans borrowed by Ms. Wang.

172. A share transfer agreement dated 26 September 2003 entered into between Beijing Lei Ting and Wang Ting Ting ("Mr. Wang TT"), pursuant to which Beijing Lei Ting agreed to transfer its 20% equity interest in Beijing Oriental China Travel Agency Limited to Mr. Wang TT.

173. A share transfer agreement dated 26 September 2003 entered into between Beijing Lei Ting, Shenzhen Freenet, Ms. Wang, Mr. Sheng, Mr. Wang TT, pursuant to which (a) Shenzhen Freenet agreed to transfer its 40% equity interest in Redsail to Ms. Wang; and (b) Beijing Lei Ting agreed to transfer its 40% equity interest in Redsail to Mr. Sheng and 20% equity interest in Redsail to Mr. Wang TT respectively.

174. A share transfer agreement dated 26 September 2003 entered into between Mr. Wang Lei Lei and Mr. Wang TT, pursuant to which Mr. Wang Lei Lei agreed to transfer his 20% equity interest in Beijing TOM International to Mr. Wang TT.

175. A share transfer agreement dated 26 September 2003 entered into between Ms. Wang and Mr. Sheng, pursuant to which Ms. Wang agreed to transfer her 40% equity interest in Beijing TOM International to Mr. Sheng.

176. A loan agreement dated 26 September 2003 entered into between TOM Outdoor Advertising Company Limited ("OMG HK") and Ms. Wang whereby OMG HK agreed to grant a loan to Ms. Wang to invest in Beijing TOM International as its registered capital.

177. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Sheng whereby OMG HK agreed to grant a loan to Mr. Sheng to invest in Beijing TOM International as its registered capital.

178. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Sheng whereby OMG HK agreed to grant a loan to Mr. Wang TT to invest in Beijing TOM International as its registered capital.

179. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Ms. Wang, pursuant to which Ms. Wang granted OMG HK an exclusive option to purchase all of her interest in Beijing TOM International when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

180. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Mr. Sheng, pursuant to which Mr. Sheng granted OMG HK an exclusive option to purchase all of his interest in Beijing TOM International when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

181. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Mr. Wang TT, pursuant to which Mr. Wang TT granted OMG HK an exclusive option to purchase all of his interest in Beijing TOM International when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

182. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and Beijing TOM International, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for Beijing TOM International during the term of the agreement.

183. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Beijing TOM International to SZ ECLink.

184. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang TT whereby Mr. Wang TT agreed to pledge his entire equity interest in Beijing TOM International to SZ ECLink.

185. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng whereby Mr. Sheng agreed to pledge his entire equity interest in Beijing TOM International to SZ ECLink.

186. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, Beijing TOM International, Ms. Wang, Mr. Sheng and Mr. Wang TT, pursuant to which SZ ECLink agreed to act as a performance guarantor for Beijing TOM International in respect of its transactions with third parties. In return, Beijing TOM International granted SZ ECLink a security interest over all of its assets. In addition, Beijing TOM International and all of its shareholders agreed that Beijing TOM International will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its

directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

187. An administrative services agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and TOM Online, pursuant to which TOM.COM INTERNATIONAL will provide or will use reasonable endeavours to procure the Group to provide TOM Online certain (i) administrative services, including legal, advisory and supporting services, and other services of nature similar to such services as may be agreed between the relevant parties from time to time and (ii) operation-related consultancy services, including information technology consultancy and supporting services and certain business development support services.

188. A media services agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and TOM Online, pursuant to which TOM.COM INTERNATIONAL agreed to provide, or will use reasonable endeavors to procure the Group to provide, certain media services on a non-exclusive basis to TOM Online.

189. An online media services agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and TOM Online, pursuant to which TOM Online and its subsidiaries agreed to provide certain online services on a non-exclusive basis to the Group.

190. A wireless IVR services agreement dated 8 October 2003 entered into between LTWJi and Beijing Mobile. Pursuant to this agreement, LTWJi agreed to provide wireless IVR services to the mobile phone users of Beijing Mobile. This agreement will expire in November 2004.

191. An exclusive technical and consulting services agreement dated 26 September 2003 entered into between Beijing Super Channel and Shenzhen Freenet, pursuant to which Shenzhen Freenet agreed to engage Beijing Super Channel exclusively for certain technical and consulting services. The term of this agreement is 10 years from the date of execution.

192. An exclusive technical and consulting services agreement dated 26 September 2003 entered into between Beijing Super Channel and Beijing Lei Ting, pursuant to which Beijing Lei Ting agreed to engage Beijing Super Channel exclusively for certain technical and consulting services. The term of this agreement is 10 years from the date of execution.

193. An exclusive technical and consulting services agreement dated 26 September 2003 entered into between GreaTom and Shenzhen Freenet, pursuant to which Shenzhen Freenet agreed to engage GreaTom exclusively (other than Beijing Super Channel) for certain technical and consulting services. The term of this agreement is 10 years from the date of execution.

194. A termination agreement dated 26 September 2003 entered into between Lahiji and Mr. Wang Lei Lei, with respect to the termination of the share pledge agreement dated 8 August 2002 entered into between the same parties.

195. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Wang T T whereby OMG HK agreed to grant a loan to Mr. Wang T T to invest in Beijing TOM International as its registered capital.

196. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Sheng Yong whereby OMG HK agreed to grant a loan to Mr. Sheng Yong to invest in Beijing TOM International as its registered capital.

197. A loan agreement dated 26 September 2003 entered into between OMG HK and Ms. Wang whereby OMG HK agreed to grant a loan to Ms. Wang to invest in Beijing TOM International as its registered capital.

198. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Mr. Wang T T, pursuant to which Mr. Wang T T granted OMG HK an exclusive option to purchase all of his interest in Beijing TOM International when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

199. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Mr. Sheng Yong, pursuant to which Mr. Sheng granted OMG HK an exclusive option to purchase all of his interest in Beijing TOM International when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

200. A share option agreement dated 26 September 2003 entered into between OMG HK, Beijing TOM International and Ms. Wang, pursuant to which Ms. Wang granted OMG HK an exclusive option to purchase all of her interest in Beijing TOM International when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

201. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and Beijing TOM International, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for Beijing TOM International during the term of the agreement.

202. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in Beijing TOM International to SZ ECLink.

203. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng Yong whereby Mr. Sheng Yong agreed to pledge his entire equity interest in Beijing TOM International to SZ ECLink.

204. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Beijing TOM International to SZ ECLink.

205. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, Beijing TOM International, Mr. Wang T T, Mr. Sheng and Ms. Wang, pursuant to which SZ ECLink agreed to act as a performance guarantor for Beijing TOM International in respect of its transactions with third parties. In return, Beijing TOM International granted SZ ECLink a security interest over all of its assets. In addition, Beijing TOM International and all of its shareholders agreed that Beijing TOM International will not carry on any transactions that

may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

206. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Wang T T whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Wang T T to invest in Beijing Oriental China Travel Agency Limited ("Oriental Travel Agency") as its registered capital.

207. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Oriental Travel Agency and Mr. Wang T T, pursuant to which Mr. Wang T T granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in Oriental Travel Agency when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

208. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and Oriental Travel Agency, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for Oriental Travel Agency during the term of the agreement.

209. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in Oriental Travel Agency to SZ ECLink.

210. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, Oriental Travel Agency and Mr. Wang T T, pursuant to which SZ ECLink agreed to act as a performance guarantor for Oriental Travel Agency in respect of its transactions with third parties. In return, Oriental Travel Agency granted SZ ECLink a security interest over all of its assets. In addition, Oriental Travel Agency and all of its shareholders agreed that Oriental Travel Agency will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

211. A share transfer agreement dated 26 September 2003 entered into between Beijing Lei Ting and Ms. Wang, pursuant to which Beijing Lei Ting agreed to transfer its 40% equity interest in CTN to Ms. Wang.

212. A share transfer agreement dated 26 September 2003 entered into between Beijing Lei Ting and Mr. Sheng, pursuant to which Beijing Lei Ting agreed to transfer its 40% equity interest in CTN to Mr. Sheng.

213. A share transfer agreement dated 26 September 2003 entered into between Beijing TOM International and Mr. Wang T T, pursuant to which Beijing TOM International agreed to transfer its 20% equity interest in CTN to Mr. Wang T T.

214. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Ms. Wang whereby TOM.COM INTERNATIONAL agreed to grant a loan to Ms. Wang to invest in CTN as its registered capital.

215. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Sheng whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Sheng Yong to invest in CTN as its registered capital.

216. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Wang T T whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Wang T T to invest in CTN as its registered capital.

217. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, CTN and Ms. Wang, pursuant to which Ms. Wang granted TOM.COM INTERNATIONAL an exclusive option to purchase all of her interest in CTN when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

218. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, CTN and Mr. Sheng, pursuant to which Mr. Sheng Yong granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in CTN when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

219. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, CTN and Mr. Wang T T, pursuant to which Mr. Wang T T granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in CTN when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

220. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and CTN, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for CTN during the term of the agreement.

221. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in CTN to SZ ECLink.

222. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng whereby Mr. Sheng agreed to pledge his entire equity interest in CTN to SZ ECLink.

223. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in CTN to SZ ECLink.

224. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, CTN, Ms. Wang, Mr. Sheng and Mr. Wang T T, pursuant to which SZ ECLink agreed to act as a performance guarantor for CTN in respect of its transactions with third parties. In return, CTN granted SZ ECLink a security interest over all of its assets. In addition, CTN and all of its shareholders agreed that CTN will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

225. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Sheng whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Sheng to invest in Redsail as its registered capital.

226. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Wang T T whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Wang T T to invest in Redsail as its registered capital.

227. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Ms. Wang whereby TOM.COM INTERNATIONAL agreed to grant a loan to Ms. Wang to invest in Redsail as its registered capital.

228. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Redsail and Mr. Sheng, pursuant to which Mr. Sheng Yong granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in Redsail when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

229. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Redsail and Mr. Wang T T, pursuant to which Mr. Wang T T granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in Redsail when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

230. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Redsail and Ms. Wang, pursuant to which Ms. Wang granted TOM.COM INTERNATIONAL an exclusive option to purchase all of her interest in Redsail when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

231. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and Redsail, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for Redsail during the term of the agreement.

232. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng Yong whereby Mr. Sheng agreed to pledge his entire equity interest in Redsail to SZ ECLink.

233. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in Redsail to SZ ECLink.

234. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Redsail to SZ ECLink.

235. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, Redsail, Mr. Sheng, Mr. Wang T T and Ms. Wang, pursuant to which SZ ECLink agreed to act as a performance guarantor for Redsail in respect of its transactions with third parties. In return, Redsail granted SZ ECLink a security interest over all of its assets. In addition, Redsail and all of its shareholders agreed that Redsail will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

236. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Ms. Wang, pursuant to which Shenzhen Freenet agreed to transfer its 40% equity interest in 新易網通 to Ms. Wang.

237. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Mr. Sheng Yong, pursuant to which Shenzhen Freenet agreed to transfer its 40% equity interest in 新易網通 to Mr. Sheng.

238. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Mr. Wang T T, pursuant to which Shenzhen Freenet agreed to transfer its 10% equity interest in 新易網通 to Mr. Wang T T.

239. A share transfer agreement dated 26 September 2003 entered into between Mr. Wang Lei Lei and Mr. Wang T T, pursuant to which Mr. Wang Lei Lei agreed to transfer his 10% equity interest in 新易網通 to Mr. Wang T T.

240. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Ms. Wang whereby TOM.COM INTERNATIONAL agreed to grant a loan to Ms. Wang to invest in 新易網通 as its registered capital.

241. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Sheng whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Sheng to invest in 新易網通 as its registered capital.

242. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Wang T T whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Wang T T to invest in 新易網通 as its registered capital.

243. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, 新易網通 and Ms. Wang, pursuant to which Ms. Wang granted TOM.COM INTERNATIONAL an exclusive option to purchase all of her interest in 新易網通 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

244. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, 新易網通 and Mr. Sheng, pursuant to which Mr. Sheng Yong granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in 新易網通 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

245. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, 新易網通 and Mr. Wang T T, pursuant to which Mr. Wang T T granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in 新易網通 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

246. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and 新易網通, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for 新易網通 during the term of the agreement.

247. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in 新易網通 to SZ ECLink.

248. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng Yong whereby Mr. Sheng Yong agreed to pledge his entire equity interest in 新易網通 to SZ ECLink.

249. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in 新易網通 to SZ ECLink.

250. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, 新易網通, Ms. Wang, Mr. Sheng and Mr. Wang T T, pursuant to which SZ ECLink agreed to act as a performance guarantor for 新易網通 in respect of its transactions with third parties. In return, 新易網通 granted SZ ECLink a security interest over all of its assets. In addition, 新易網通 and all of its shareholders agreed that 新易網通 will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

251. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Ms. Wang, pursuant to which Shenzhen Freenet agreed to transfer its 40% equity interest in Shenzhen Freenet Advertising to Ms. Wang.

252. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Mr. Sheng, pursuant to which Shenzhen Freenet agreed to transfer its 40% equity interest in Shenzhen Freenet Advertising to Mr. Sheng.

253. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Mr. Wang T T, pursuant to which Shenzhen Freenet agreed to transfer its 10% equity interest in Shenzhen Freenet Advertising to Mr. Wang T T.

254. A share transfer agreement dated 26 September 2003 entered into between Mr. Wang Lei Lei and Mr. Wang T T, pursuant to which Mr. Wang Lei Lei agreed to transfer its 10% equity interest in Shenzhen Freenet Advertising to Mr. Wang T T.

255. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Ms. Wang whereby TOM.COM INTERNATIONAL agreed to grant a loan to Ms. Wang to invest in Shenzhen Freenet Advertising as its registered capital.

256. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Sheng whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Sheng to invest in Shenzhen Freenet Advertising as its registered capital.

257. A loan agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL and Mr. Wang T T whereby TOM.COM INTERNATIONAL agreed to grant a loan to Mr. Wang T T to invest in Shenzhen Freenet Advertising as its registered capital.

258. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Shenzhen Freenet Advertising and Ms. Wang, pursuant to which Ms. Wang granted TOM.COM INTERNATIONAL an exclusive option to purchase all of her interest in Shenzhen Freenet Advertising when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

259. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Shenzhen Freenet Advertising and Mr. Sheng, pursuant to which Mr. Sheng granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in Shenzhen Freenet Advertising when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

260. A share option agreement dated 26 September 2003 entered into between TOM.COM INTERNATIONAL, Shenzhen Freenet Advertising and Mr. Wang T T, pursuant to which Mr. Wang T T granted TOM.COM INTERNATIONAL an exclusive option to purchase all of his interest in Shenzhen Freenet Advertising when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

261. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and Shenzhen Freenet Advertising, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for Shenzhen Freenet Advertising during the term of the agreement.

262. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in Shenzhen Freenet Advertising to SZ ECLink.

263. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng whereby Mr. Sheng agreed to pledge his entire equity interest in Shenzhen Freenet Advertising to SZ ECLink.

264. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Wang T T whereby Mr. Wang T T agreed to pledge his entire equity interest in Shenzhen Freenet Advertising to SZ ECLink.

265. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, Shenzhen Freenet Advertising, Ms. Wang, Mr. Sheng and Mr. Wang T T, pursuant to which SZ ECLink agreed to act as a performance guarantor for Shenzhen Freenet Advertising in respect of its transactions with third parties. In return, Shenzhen Freenet Advertising granted SZ ECLink a security interest over all of its assets. In addition, Shenzhen Freenet Advertising and all of its shareholders agreed that Shenzhen Freenet Advertising will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

266. A loan agreement dated 26 September 2003 entered into between Commercelink Profits Limited ("Commercelink") and Mr. Sheng Yong whereby Commercelink agreed to grant a loan to Mr. Sheng to invest in 廣東羊城廣告有限公司 ("YC Advertising") as its registered capital.

267. A loan agreement dated 26 September 2003 entered into between Commercelink and Ms. Wang whereby Commercelink agreed to grant a loan to Ms. Wang to invest in YC Advertising as its registered capital.

268. A share option agreement dated 26 September 2003 entered into between Commercelink, YC Advertising and Mr. Sheng, pursuant to which Mr. Sheng granted Commercelink an exclusive option to purchase all of his interest in YC Advertising when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

269. A share option agreement dated 26 September 2003 entered into between Commercelink, YC Advertising and Ms. Wang, pursuant to which Ms. Wang granted Commercelink an exclusive option to purchase all of her interest in YC Advertising when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

270. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between SZ ECLink and YC Advertising, pursuant to which SZ ECLink agreed to provide technical consultancy and services exclusively for YC Advertising during the term of the agreement.

271. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Mr. Sheng whereby Mr. Sheng agreed to pledge his entire equity interest in YC Advertising to SZ ECLink.

272. A share pledge agreement dated 26 September 2003 entered into between SZ ECLink and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in YC Advertising to SZ ECLink.

273. A business operation agreement dated 26 September 2003 entered into between SZ ECLink, YC Advertising, Mr. Sheng and Ms. Wang, pursuant to which SZ ECLink agreed to act as a performance guarantor for YC Advertising in respect of its transactions with third parties. In return, YC Advertising granted SZ ECLink a security interest over all of its assets. In addition, YC Advertising and all of its shareholders agreed that YC Advertising will not carry on any transactions that may materially adversely affect its operations and will appoint SZ ECLink's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

274. A share transfer agreement dated 26 September 2003 entered into between Mr. Wang Lei Lei and Mr. Sheng Yong, pursuant to which Mr. Wang Lei Lei agreed to transfer his 20% equity interest in 風馳顧問 to Mr. Sheng.

275. A share transfer agreement dated 26 September 2003 entered into between Ms. Wang and Mr. Sheng, pursuant to which Ms. Wang agreed to transfer her 35% equity interest in 風馳顧問 to Mr. Sheng.

276. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Sheng whereby OMG HK agreed to grant a loan to Mr. Sheng to invest in 風馳顧問 as its registered capital.

277. A loan agreement dated 26 September 2003 entered into between OMG HK and Ms. Wang whereby OMG HK agreed to grant a loan to Ms. Wang to invest in 風馳顧問 as its registered capital.

278. A loan agreement dated 26 September 2003 entered into between OMG HK and Mr. Li Jian whereby OMG HK agreed to grant a loan to Mr. Li Jian to invest in 風馳顧問 as its registered capital.

279. A share option agreement dated 26 September 2003 entered into between OMG HK, 風馳顧問 and Mr. Sheng, pursuant to which Mr. Sheng granted OMG HKan exclusive option to purchase all of his interest in 風馳顧問 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

280. A share option agreement dated 26 September 2003 entered into between OMG HK, 風馳顧問 and Ms. Wang, pursuant to which Ms. Wang granted OMG HK an exclusive option to purchase all of her interest in 風馳顧問 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

281. A share option agreement dated 26 September 2003 entered into between OMG HK, 風馳顧問 and Mr. Li Jian, pursuant to which Mr. Li Jian granted OMG HK an exclusive option to purchase all of his interest in 風馳顧問 when permitted by PRC law. The term of this agreement is 10 years from the date of execution.

282. An exclusive technology consultancy and services agreement dated 26 September 2003 entered into between 昆明風馳傳媒有限公司 ("Fench Media") and 風馳顧問, pursuant to which Fench Media agreed to provide technical consultancy and services exclusively for 風馳顧問 during the term of the agreement.

283. A share pledge agreement dated 26 September 2003 entered into between Fench Media and Mr. Sheng Yong whereby Mr. Sheng agreed to pledge his entire equity interest in 風馳顧問 to Fench Media.

284. A share pledge agreement dated 26 September 2003 entered into between Fench Media and Ms. Wang whereby Ms. Wang agreed to pledge her entire equity interest in 風馳顧問 to Fench Media.

285. A share pledge agreement dated 26 September 2003 entered into between Fench Media and Mr. Li Jian whereby Mr. Li Jian agreed to pledge his entire equity interest in 風馳顧問 to Fench Media.

286. A business operation agreement dated 26 September 2003 entered into between Fench Media, 風馳顧問, Mr. Sheng, Ms. Wang and Mr. Li Jian, pursuant to which Fench Media agreed to act as a performance guarantor for 風馳顧問 in respect of its transactions with third parties. In return, 風馳顧問 granted Fench Media a security interest over all of its assets. In addition, 風馳顧問 and all of its shareholders agreed that 風馳顧問 will not carry on any transactions that may materially adversely affect its operations and will appoint Fench Media's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

287. A share transfer agreement dated 26 September 2003 entered into between Shenzhen Freenet and Shenzhen Freenet Advertising, pursuant to which Shenzhen Freent agreed to transfer its 37% equity interest in Cernet Online to Shenzhen Freenet Advertising.

288. A share transfer agreement dated 26 September 2003 entered into between TOM.COM (China) and TOM.COM INTERNATIONAL, pursuant to which TOM.COM (China) agreed to transfer its 51% equity interest in Cernet Info to TOM.COM INTERNATIONAL.

289. A share transfer agreement dated 26 September 2003 entered into between TOM.COM (China) and TOM.COM INTERNATIONAL, pursuant to which TOM.COM (China) agreed to transfer its 70% equity interest in 北京中圖通文化諮詢有限公司 to TOM.COM INTERNATIONAL.

290. A tenancy agreement dated 13 October 2003 entered into between Southland Company Limited and TOM (Cup Magazine), in relation to the lease of whole floor of Park Commercial Centre of No. 180 Tung Lo Wan Road, Hong Kong for a period of two years expiring on 9 October 2005.

291. An exclusive management consultancy agreement between TOM.COM (China) and TOM OMG, pursuant to which TOM.COM (China) agreed to provide management consultancy services exclusively to TOM OMG.

292. A joint venture agreement dated 4 November 2003 entered into between TOM.COM (China) and Sanlian, under which, TOM.COM (China) and Sanlian agreed to jointly establish a sino-foreign co-operative joint venture enterprise to be known as 北京三聯世紀文化傳播有限公司 in the PRC.

293. A subscription agreement dated 6 November 2003 entered into between the Company, TOM Holdings Limited as an issuer, Citigroup Global Markets Limited and Deutsche Bank AG London as the joint bookrunners and Cazenove Asia Limited as co-manager whereby the joint bookrunners and co-manager agreed to subscribe for convertible bonds of the issuer at par in an aggregate principal amount of US$150 million.

294. An agreement dated 7 November 2003 entered into between TOM Digital Media Center Limited as a purchaser and TCL National Digital Television Center Hong Kong, Inc. as a vendor in relation to the sale and purchase of certain business assets.

295. A business operation agreement dated 19 November 2003 entered into between Puccini Network Technology (Beijing) Limited ("Puccini Beijing"), LTWJi, Ms. Wang and Mr. Wang Lei Lei, pursuant to which Puccini Beijing agreed to act as a performance guarantor for LTWJi in respect of its transactions with third parties. In return, LTWJi granted Puccini Beijing a security interest over all of its assets. In addition, LTWJi and all of its shareholders agreed that LTWJi will not carry on any transactions that may materially adversely affect its operations and will appoint Puccini Beijing's designees as its directors, chief executive officer and other senior officers. The term of this agreement is ten years from the date of execution.

296. An exclusive technical consultancy and services agreement dated 19 November 2003 entered into between Puccini Beijing and LTWJi, pursuant to which Puccini Beijing agreed to provide technical consultancy and services exclusively for LTWJi during the term of the agreement.

297. A share option agreement dated 19 November 2003 entered into between Ms. Wang, Puccini and LTWJi, pursuant to which Ms. Wang granted Puccini an exclusive option to purchase all of her interest in LTWJi when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

298. A share option agreement dated 19 November 2003 entered into between Mr. Wang Lei Lei, Puccini and LTWJi, pursuant to which Mr. Wang Lei Lei granted Puccini an exclusive option to purchase all of his interest in LTWJi when permitted by PRC law. The term of each of this agreement is 10 years from the date of execution.

299. An undertaking letter dated 19 November 2003 entered into between Puccini and Mr. Wang Lei Lei in relation to the certain sum loaned to Mr. Wang Lei Lei by Puccini to invest in LTWJi as registered capital.

300. An undertaking letter dated 19 November 2003 entered into between Puccini and Ms. Wang in relation to the certain sum loaned to Ms. Wang by Puccini to invest in LTWJi as registered capital.

301. A share pledge agreement dated 19 November 2003 entered into between Puccini, Puccini Beijing and Mr. Wang Lei Lei, pursuant to which Puccini Beijing assumes all of the rights and obligations of Puccini under the terms and conditions as set out in the novation agreement dated 25 September 2003 entered into between Puccini, Devine Gem, Mr. Wang Lei Lei and Ms. Wang.

302. A share pledge agreement dated 19 November 2003 entered into between Puccini, Puccini Beijing and Ms. Wang, pursuant to which Puccini Beijing assumes all of the rights and obligations of Puccini under the terms and conditions as set out in the novation agreement dated 25 September 2003 entered into between Puccini, Devine Gem, Mr. Wang Lei Lei and Ms. Wang.

303. An undertaking agreement dated 3 February 2004 entered into between TOM Online and the Company pursuant to which the Company undertakes to us not to demand repayment of the amounts due to it under the separate loan agreements entered into between the Company and each of Laurstinus, Lahiji and Advanced Internet Services dated 21 September 2003 except in certain circumstances.

304. A tenancy agreement dated 13 February 2004 entered into between Beijing Oriental and LTWJi in relation to the lease of the rooms 7-8., 5/F., Tower W3, The Towers, Beijing Oriental Plaza, No. 1-31, Dong Chang An Jie, Dong Cheng District, Beijing, the PRC expiring on 14 August 2006.

12. GENERAL

(a) The head office and principal place of business of the Company is at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong. The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(b) The Compliance Officer and the Qualified Accountant of the Company is Ms. Tommei Tong. She holds a Bachelor of Social Sciences Degree from the University of Hong Kong in 1986. She is also a Fellow of Chartered Association of Certified Accountants in the UK and an Associate of Hong Kong Society of Accountants.

(c) The Company Secretary of the Company is Ms. Angela Mak. Ms. Mak holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of New South Wales in Australia and has been admitted as a solicitor in New South Wales (Australia), England and Wales and Hong Kong.

(d) The Company has established an audit committee on 21 January 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises an executive Director, Ms. Tommei Tong and three independent non-executive Directors, namely Mrs. Angelina Lee, Mr. Henry Cheong and Ms. Anna Wu, further details of whom are set out below:

Mrs. Angelina Lee, aged 55, is a practising solicitor. She has a Bachelor of Laws degree and is a Fellow of the Institute of Chartered Accountants in England and Wales. She is active in public service and currently serves on a number of statutory, advisory and appeal committees. She is also a director of a number of other listed companies in Hong Kong.

Mr. Henry Cheong, aged 56. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. He is a director of certain other listed companies in Hong Kong. Mr. Cheong is a member of the Process Review Panel for the Securities and Future Commission, a member of the GEM Listing Committee, Main Board Listing Committee and Derivatives Market Consultative Panel of the Hong Kong Exchanges and Clearing Limited and also a member of the Corporate Advisory Council of the Hong Kong Securities Institute.

Ms. Anna Wu, aged 53, is a qualified solicitor. She holds a Bachelor of Laws degree from the University of Hong Kong. She is currently a non-executive director of the Securities & Futures Commission and a non-executive director of the Mandatory Provident Fund Schemes Authority. Previously she was the chairperson of the Equal Opportunities Commission, chairperson of the Operations Review Committee of the Independent Commission Against Corruption, chairperson of the Consumer Council and a member of the Legislative Council.

Ms. Tommei Tong, aged 39, is Chief Financial Officer and an executive Director. Prior to joining the Company, she was a partner of Arthur Anderson & Co. in charge of the financial services practice in China. Prior to that, she was the Chief Financial Officer and the Chief Operating Officer of Ping An Insurance, China's second largest insurer and a financial conglomerate with diversified interests in securities and investments. Ms. Tong holds a Bachelor of Social Sciences Degree from the University of Hong Kong in 1986. She is also a Fellow of Chartered Association of Certified Accountants in the UK and an Associate of Hong Kong Society of Accountants.

(e) Save as disclosed in this circular, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

(f) Save as disclosed in this circular:

a. none of the Directors or expert of this appendix has any direct or indirect interest in any assets which have been, since 31 December 2002, the date to which the latest published audited financial results of the Company were made up, to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and

b. none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(g) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the EGM:

(a) the Memorandum of Association and Articles of Association of the Company;

(b) the prospectus dated 18 February 2000 of the Company;

(c) the material contracts referred to in the section headed "Material Contracts" of this Appendix;

(d) the service contracts referred to in the section headed "Service Contracts" of this Appendix;

(e) the annual report of the Company for each of the years ended 31 December 2001 and 2002 and the half-year report of the Company for the six months ended 30 June 2003;

(f) each of the circulars of the Company since 1 January 2003;

(g) the letter from Rothschild, the text of all of which are set out on pages 56 to 71 of this circular;

(h) the accountants' report signed by PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(i) the written consents of Rothschild and PricewaterhouseCoopers referred to in the section headed “Experts” of this Appendix; and

(j) the Pre-IPO Share Option Plan and the Share Option Scheme.

TOM.COM LIMITED

(Incorporated in the Cayman Islands with limited liability)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of TOM.COM LIMITED ("the Company") will be held at the Grand Ballroom I, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, on Monday, 1 March 2004 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Proposed Spin-Off be and is hereby approved; and

   (b) the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Proposed Spin-Off and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-Off as they shall think fit.

   "Proposed Spin-Off" means the proposed spin-off and separate listings of the ordinary shares ("TOM Online Shares") in TOM Online Inc. ("TOM Online"), a subsidiary of the Company, on GEM and on the NASDAQ National Market (in the form of American depositary shares representing TOM Online Shares), as more particularly described in the circular dated 14 February 2004, subject to any variations or changes which are considered by the Company's directors not to be material."

2. "**THAT:**

   (1) each of the following TOM Online Continuing Connected Transactions (as defined and more particularly described in the circular dated 14 February 2004 of the Company) be and is hereby approved subject to the annual caps (if any) as stated below:

      (a) the media services agreement ("Media Services Agreement") dated 26 September 2003 entered into between TOM Online and TOM.COM INTERNATIONAL LIMITED ("TOM.COM INTERNATIONAL") subject to the annual caps of HK$3,000,000 from the listing date to the end of 2004, HK$4,000,000 for 2005 and HK$5,000,000 for 2006;

(b) the online media services agreement ("Online Media Services Agreement") dated 26 September 2003 entered into between TOM Online and TOM.COM INTERNATIONAL subject to the annual caps of HK$1,000,000 from the listing date to the end of 2004, HK$1,500,000 for 2005 and HK$2,000,000 for 2006;

(c) the loan agreement ("Laurstinus Loan Agreement") dated 21 September 2003 entered into between the Company and Laurstinus Limited in respect of the provision of a loan by the Company in the amount of approximately HK$12,800,000 to Laurstinus Limited;

(d) the loan agreement ("Lahiji Loan Agreement") dated 21 September 2003 entered into between the Company and Lahiji Vale Limited in respect of the provision of a loan by the Company in the amount of approximately HK$67,800,000 to Lahiji Vale Limited; and

(e) the loan agreement ("AIS Loan Agreement") dated 21 September 2003 entered into between the Company and Advanced Internet Services Limited in respect of the provision of a loan by the Company in the amount of approximately HK$75,900,000 to Advanced Internet Services Limited;

(2) the entering into, execution, performance and implementation of the Media Services Agreement, Online Media Services Agreement, Laurstinus Loan Agreement, Lahiji Loan Agreement and AIS Loan Agreement (copies of which have been produced to the Meeting marked "A" to "E" respectively and signed by the Chairman of the Meeting for the purpose of identification) by the directors of the Company for and on behalf of the Company and be and are hereby approved, confirmed and ratified; and

(3) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts matters and things as they may in their discretion consider necessary or desirable for the purposes of or in connection with the implementation of the aforesaid agreements."

3. "**THAT:**

(1) each of the following Tenancy Agreements (as defined and more particularly described in the circular dated 14 February 2004 of the Company) be and is hereby approved as stated below:

(a) the supplemental tenancy agreement dated 13 February 2004 entered into between Beijing Super Channel Network Limited and Beijing Oriental Plaza Company Limited ("Beijing Oriental") in respect of the lease of the whole of 8/F., Tower W3, The Towers, Beijing Oriental Plaza subject to the annual caps of US$613,263 (HK$4,783,451) for 2004, US$613,263 (HK$4,783,451) for 2005 and US$355,047 (HK$2,769,367) for 2006;

(b) the supplemental tenancy agreement dated 13 February 2004 entered into between TOM.COM (China) Investment Limited ("TOM.COM (China)") and Beijing Oriental in respect of the lease of Rooms 1-6, 9/F., Tower W3, The Towers, Beijing Oriental Plaza subject to the annual caps of US$330,771 (HK$2,580,014) for 2004, US$330,771 (HK$2,580,014) for 2005 and US$191,499 (HK$1,493,692) for 2006;

(c) the supplemental tenancy agreement dated 13 February 2004 entered into between TOM.COM (China) and Beijing Oriental in respect of the lease of Rooms 7-8, 9/F., Tower W3, The Towers, Beijing Oriental Plaza subject to the annual caps of US$130,473 (HK$1,017,689) for 2004, US$130,473 (HK$1,017,689) for 2005 and US$75,537 (HK$589,189) for 2006; and

(d) the tenancy agreement dated 13 February 2004 entered into between LTWJi and Beijing Oriental in respect of the lease of Rooms 7-8, 5/F., Tower W3, The Towers, Beijing Oriental Plaza subject to the annual caps of US$130,872 (HK$1,020,802) for 2004, US$130,872 (HK$1,020,802) for 2005 and US$103,320 (HK$805,896) for 2006;

(2) the entering into, execution, performance and implementation of the Tenancy Agreements (copies of which have been produced to the Meeting marked "F" to "I" respectively and signed by the Chairman of the Meeting for the purpose of identification) by the directors of the Company for and on behalf of the Company and be and are hereby approved, confirmed and ratified; and

(3) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts matters and things as they may in their discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Tenancy Agreements."

4. "**THAT** the Pre-IPO Share Option Plan and the Share Option Scheme (collectively referred to as the "Share Option Schemes") of TOM Online, the terms and conditions of which are contained in the documents marked "J" and "K" and produced to the meeting and for the purpose of identification signed by the Chairman of the Meeting and a summary of which are set out in a circular dated 14 February 2004 contained in the document marked "L" and dispatched to the shareholders of the Company of which the notice convening this Meeting forms part and produced to the Meeting and for the purpose of identification signed by the Chairman of the Meeting be and are hereby approved and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as they consider be necessary or desirable in order to implement the Share Option Schemes."

5. **"THAT** subject to the passing of Ordinary Resolution No. 4 set out in the notice convening this meeting, the grant under the Pre-IPO Share Option Plan of TOM Online of the following options to subscribe for ordinary shares of HK$0.01 in the capital of TOM Online in excess of one per cent. of the issued share capital of TOM Online on the terms specified below be and is hereby approved:

Name of grantee	Number of options to be granted under the Pre-IPO Share Option Plan of TOM Online	Exercise period *(Note 1)*	Approximate percentage of current issued share capital of TOM Online
Mr. Wang Lei Lei	16,500,000	Six months after Listing Date to 10 years after the Listing Date *(Note 2)*	0.59%
	24,750,000	One year after Listing Date to 10 years after the Listing Date	0.88%
	33,000,000	Two years after Listing Date to 10 years after the Listing Date	1.18%
	41,250,000	Three years after Listing Date to 10 years after the Listing Date	1.47%
	49,500,000	Four years after Listing Date to 10 years after the Listing Date	1.77%
	165,000,000		5.89%

Notes:

1. All Options vest at the start of the relevant exercise period save for the Options which are exercisable from 6 months after the Listing Date which vest one month after the Listing Date.

2. These Options will vest one month after the Listing Date."

6. **"THAT** subject to the passing of Ordinary Resolution No. 4 set out in the notice convening this meeting, the total number of ordinary shares of HK$0.01 in the capital of TOM Online ("TOM Online Shares") to be allotted and issued pursuant to the grant or exercise of any options under the Share Option Schemes (as defined in Ordinary Resolution No. 4 as set out in the notice convening this meeting) and any other schemes of TOM Online (excluding options previously granted, outstanding, cancelled, lapsed in accordance with the Share Option Schemes (as defined in Ordinary Resolution No. 4 as set out in the notice convening this meeting) as at the date of passing this resolution) be and is hereby subject to a maximum limit equal to 10 per cent. of the shares in the capital of TOM Online in issue on the date of passing of this resolution (the "10 per cent. Limit") and that the directors of TOM Online be and are hereby unconditionally authorised, at their absolute discretion, to grant options to subscribe for TOM Online Shares up to the 10 per cent. Limit and to exercise all the powers of TOM Online to allot, issue and deal with TOM Online Shares pursuant to the exercise of subscription rights under such options."

By Order of the Board
TOM.COM LIMITED
Angela Mak
Company Secretary

Hong Kong, 14 February 2004

Head office and principal place of business:
48th Floor, The Center,
99 Queen's Road Central,
Central, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the principal place of business of the Company at 48th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.