

STAREASTnet.com
Corporation

(Incorporated in the Cayman Islands with limited liability)

starEastNet

Annual Report 2000

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Tam Wing Lun, Alan (*Chairman*)
Wong Kun To (*Chief Executive Officer*)
Chan Pak Cheung, Natalis

NON-EXECUTIVE DIRECTORS

Chan Kong Sang, Jackie
Peter Anthony Allen
Chung Cho Yee, Mico
Masahide Saito
Masanori Suzuki

INDEPENDENT NON-EXECUTIVE DIRECTORS

Bradford Allen
Dominic Lai
Cheung Ting Kau, Vincent

COMPANY SECRETARY

Wong Lai Kin, Elsa, *Solicitor, Hong Kong*

QUALIFIED ACCOUNTANT

Wong Yiu Hung, FCCA, AHKSA

COMPLIANCE OFFICER

Wong Kun To

AUTHORISED REPRESENTATIVES

Wong Kun To
Wong Lai Kin, Elsa

AUDIT COMMITTEE

Bradford Allen
Dominic Lai
Cheung Ting Kau, Vincent

COMPENSATION COMMITTEE

Chung Cho Yee, Mico
Bradford Allen
Dominic Lai
Cheung Ting Kau, Vincent

LEGAL ADVISERS TO THE COMPANY

Clifford Chance
lu, Lai & Li
Maples and Calder Asia (*as to Cayman Islands law*)

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China

Corporate Information (Continued)

SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR

Bank of Butterfield International (Cayman) Limited
P.O. Box 705
Butterfield House, Fort Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Central Registration Hong Kong Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 2509-11
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

WEBSITE

www.stareastnet.com

STOCK CODE

8010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first annual general meeting of STAREASTnet.com Corporation (the "Company") will be held at Shop G3, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Tuesday, 25th July, 2000 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2000.
2. To re-elect retiring directors and to fix the directors' remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A. "THAT:

- (i) subject to paragraph (iii) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or, (b) the exercise of rights of conversion under any securities which are convertible into shares of the Company or, (c) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the directors, employees and/or contracted celebrities of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

Notice of Annual General Meeting (Continued)

- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights issue” means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the directors of the Company made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its owned issued shares of HK\$0.10 each in the capital of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Future Commission and the Stock Exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cent of the

Notice of Annual General Meeting (Continued)

aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. “THAT condition upon the resolution numbered 4B in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities pursuant to resolution numbered 4A in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B.”

By Order of the Board

Wong Lai Kin, Elsa

Company Secretary

Hong Kong, 30th June, 2000

Notice of Annual General Meeting (Continued)

Principal Place of Business:

Units 2509-11
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Registered Office:

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Notes:

1. In order to qualify for attending the forthcoming annual general meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.
2. Every member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's principal place of business at Units 2509-11, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
4. An Explanatory Statement containing further details regarding resolution numbered 4B above as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange will be dispatched to the members of the Company together with the 2000 annual report.
5. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the form of proxy must be deposited at the Company's principal place of business at Units 2509-11, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than forty-eight hours before the time fixed for the taking of the poll.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

CHAIRMAN'S STATEMENT

I have pleasure to present to shareholders the annual report of the Group for the year ended 31st March, 2000.

BUSINESS REVIEW

The Group's main portal, www.stareastnet.com, is one of the first Chinese-language internet media companies to provide multimedia entertainment and life-style information to the Chinese community worldwide.

The Group produces and distributes original interactive programming through its network of vertically integrated entertainment portals. As at the date of this report, over 150 Asian celebrities have signed agreements with the Group pursuant to which www.stareastnet.com, or the Group's regional portals established or to be established in Singapore, Taiwan, Korea, Japan, the People's Republic of China, North America and other Southeast Asian countries, will host official websites for these contracted celebrities who will provide internet entertainment content for their official websites. The Group's goal is to become the preeminent vertically integrated internet content provider for entertainment and lifestyle information for Chinese-language users worldwide.

www.stareastnet.com provides an interactive multimedia internet channel for the global Chinese community to the world of Asian entertainment and lifestyle information. The website offers:

- * Celebrity official websites – the Group currently hosts over 120 official websites which are specially designed and managed for contracted celebrities.
- * Multimedia features – the Group produces original and exclusive video and audio content featuring its contracted artistes such as talk shows with exclusive interviews, infotainment shows, news, music and other informative programming in addition to offering films, music videos and TV clips.
- * Community features – the Group offers free e-mail, message boards, and "real time" e-mail exchanges with celebrities, polls, web organizer/calendar and a match making service. It provides a place for the Chinese community worldwide to meet and share ideas about their favourite Chinese celebrities.
- * Star Search – a niche search engine which links members to related fan clubs, fan homepages and other entertainment and celebrity websites.
- * Lifestyle and leisure features – a portion of the content offered on the Group's portal network is updated regularly to keep users informed about the latest lifestyle trends and how best to spend one's leisure time.
- * Daily interest features – many of the features are designed to attract its users to visit the Group's website on a daily basis including entertainment news, horoscope, weather forecasts and films.



STAR CHAT
WEBGANIZER
MEMBER
STAR-MAIL

星願。實現 **starEastNet**

主頁 Video Channel 娛樂追蹤 電視 電影 明星台 美麗男女 日劇 明星 音樂 流行榜 星座 潮流 體育 馬聖 繁體

Chairman's Statement (Continued)

BUSINESS REVIEW (Continued)

The celebrity official websites, multimedia features, star search engine, lifestyle and leisure features offered by the website will attract and retain users thus increasing user traffic and enhancing the Group's website's attractiveness to advertisers. The community features will help generate an affinity for the Group's portal network, increase brand loyalty and create niche user groups which can be targeted with marketing campaigns and e-commerce opportunities.

PROSPECTS

The Asia Pacific internet market is a high growth market which evolves rapidly. We believe that consumers and corporate customers have discovered that internet applications, such as e-mail and website advertising, represent lower-cost substitutes for comparable non-internet products and services. Looking forward, we anticipate that the internet industry will continue to prosper, and e-commerce in Asia will start to take off and grow rapidly. As one of the leading ICP and information platforms for entertainment, lifestyle and e-commerce in the global Chinese community, the Group is positioned to capture the abundant opportunities lying ahead.

The Group's objective is to become the premier entertainment and lifestyle internet content provider for the worldwide Chinese community. In order to achieve its goal and capture the opportunities, the Group will continue to pursue strategic alliances and partnerships which are complementary to its business so as to enhance its products and services and extend geographical reach worldwide. The Group will continue to develop its entertainment-related content by providing exclusive multimedia features and evolve from showbiz to e-biz by capitalising on synergies between entertainment content and e-commerce and fully developing its e-commerce operation to promote other entertainment and lifestyle related merchandise. The Group's strategy is to capture as much as possible of the online advertising expenditure for products and services that are complementary to its own. It will continue to enhance revenues by leveraging off the reputation of its celebrities to act as sponsors or promoters of advertised products and developing the content and advertising campaign with its celebrities to promote the advertisers' image on the internet. In view of the attractive opportunities derived from providing subscription services for lifestyle and entertainment information via WAP technology, the Group will, through strategic alliances, continue to adapt content for emerging technologies to make it more accessible to users.

In the foreseeable future, the Group will continue to invest in marketing, brand development and content production with a view to achieving a leading position as well as increasing its market share in the growing market in the Asia-Pacific region. Despite the net loss recognised in this year, we anticipate the forthcoming year to be a high-growth period for the Group. This is due to the fact that the new websites and the e-commerce business which have just been launched by the Group will start to generate more revenues. Substantial growth is also expected in terms of page views per day, revenues from banner advertisements, sponsorship, e-commerce, WAP and broadband services.

Chairman's Statement (Continued)

PROSPECTS (Continued)

We are optimistic that the Group's relationships with its existing and future contracted celebrities, combined with its broadband-enabled entertainment and lifestyle content, community features and e-commerce products and services, will enable it to achieve better results in the forthcoming year.

YEAR 2000 COMPLIANCE

The Group has reviewed all its computer hardware and application software to ensure that they were Year 2000 compliant. The directors believe that they have taken all necessary steps to ensure the computer systems of the Group are Year 2000 compliant. The Group has not experienced any problems with computer hardware and application software that relate to Year 2000 compliant issues so far.

AUDIT COMMITTEE

The Company established an audit committee on 15th May, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Bradford Allen, Mr. Dominic Lai and Mr. Cheung Ting Kau, Vincent.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company only commenced trading on GEM on 1st June, 2000. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the shareholders for their support, to the management, contracted celebrities and staff for their contributions and dedicated efforts throughout this past year.

Tam Wing Lun, Alan

Chairman

Hong Kong, 30th June, 2000

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year ended 31st March, 2000, the Group achieved a turnover of approximately HK\$10,375,000, whereas no turnover was recognised during the prior period from 18th February, 1999 to 31st March, 1999. As the Group was in the early stage of investment and development, a net loss of approximately HK\$79,815,000 was incurred for the year ended 31st March, 2000. The Group's net loss during the prior period from 18th February, 1999 to 31st March, 1999 was HK\$197,000.

DIVIDEND

On the basis of the accounts, the board of directors of the Company does not recommend the payment of a dividend for the year ended 31st March, 2000 (1999: Nil).

NEW FUNDING

The Group received a series of new investments totalling over HK\$165 million up to 31st March, 2000. Of this amount, (i) a total of approximately HK\$10 million was injected by the initial shareholders including Genius Ideas Limited, Star East (B.V.I.) Limited and Gold Miracles Limited; (ii) an amount of approximately HK\$73 million was injected by Hikari Tsushin, Inc. for the subscription of 10% of the enlarged issued share capital of STAREASTnet (BVI) Limited, a wholly-owned subsidiary and the operating arm of the Group, upon completion of such subscription; and (iii) an amount of approximately HK\$82 million was injected by Splendid Stars Group Limited for the subscription of 10% of the further enlarged share capital of STAREASTnet (BVI) Limited, upon completion of such subscription. With diversified background, this group of shareholders provided not only strong financial backing, but also extensive internet experience and expertise from which the Group was able to tap into.

Subsequent to 31st March, 2000, as a result of the listing of the Company's shares on GEM and the share placement (including the over-allotment option which was fully exercised by BNP Prime Peregrine Securities Limited on 13th June, 2000) and initial public offering, the Company obtained net proceeds of approximately HK\$198 million. The Company currently intends to use these proceeds in the following areas:

1. Entertainment-related content development;
2. Capital expenditure for technology (including software for content enrichment and advertisement management and hardware for system enhancement, upgrades and expansion);
3. Promotion and online and offline marketing activities (including advertising in traditional print, radio and television media);

Management Discussion and Analysis (Continued)

NEW FUNDING (Continued)

4. Strategic investments in companies which are in the same line of business or which complement the Group's business; and
5. Developing the Group's e-commerce business, such as auctions, merchandise sales and event ticketing.

For full details of such new funding and intended use of the net sale proceeds from the share placement and initial public offering, please refer to pages 99, 116 and 117 of the prospectus issued by the Company dated 23rd May, 2000 (the "Prospectus").

OPERATION REVIEW

During the year ended 31st March, 2000, the Group embarked on its business plan in various stages and directions.

<i>Operation growth</i>	The Group had actively recruited technical and management personnel, with over 163 full-time employees by 31st March, 2000.
<i>Contracted celebrities</i>	The Group had entered into agreements with over 100 Asian celebrities to host official websites for them.
<i>Production facilities</i>	The Group had leased production facilities and a studio for a term of about 2 years for the production of internet content and live internet telecast.
<i>Infrastructure</i>	The Group started to maintain its central production servers at the Hong Kong data centre of PSINet Hong Kong Ltd. It also started to maintain regional network operating centres in Singapore and established a mirror site in North America. The regional site in Taiwan was set up in March 2000.
<i>Domain name</i>	The Group registered its principal domain name, <i>www.stareastnet.com</i> on 7th April, 1999.
<i>Launching of websites</i>	The Group began to design its flagship website, <i>www.stareastnet.com</i> in mid 1999. This was followed by a Singapore-specific website (with added local content), <i>sg.stareastnet.com</i> in January 2000; a mirror site in North America in February 2000 and a Taiwan-specific website (with added local content), <i>tw.stareastnet.com</i> in March 2000.

Management Discussion and Analysis (Continued)

OPERATION REVIEW (Continued)

E-commerce development The Group launched its e-commerce business for concert ticket sales, which started to generate e-commerce revenue for the Group during the first quarter of 2000.

Advertisers Since the launch of the *www.stareastnet.com* website, the Group had entered into short term (three months or less) arrangements with over 35 advertisers by 31st March, 2000 for advertising on its portal network.

Strategic alliances The Group's strategic relationships with its principal shareholders and other strategic partners have allowed it to differentiate its portal network and products from others in the market. During the year under review, the Group had entered into various memoranda of understanding for co-operation with such strategic allies in the areas of content development and content distribution through broadband and narrowband internet networks.

Marketing The Group provided sponsorship to movies such as "Sausalito" to promote its activities. Such sponsorship covered product placement of stareastnet logos in the movie, co-hosting of the premiere for the movie and other offline and online marketing activities. Extensive marketing activities were conducted to promote the launch of *www.leonstareastnet.com*, which included television commercial, radio and print advertisements, online and offline marketing promotions and an official launch ceremony telecast live over the Group's portal network.

Subsequent to 31st March, 2000 and up to 15th May, 2000 (being the latest practicable date as referred to in the Prospectus), the Group has successfully launched its first artiste mega site, *www.leonstareastnet.com* on 29th April, 2000 and an e-commerce website, *movie.stareastnet.com* on 9th May, 2000. The Group has also proceeded to broaden its position as the premier internet entertainment provider to the Chinese community through co-operation with Hutchison Telecommunications (Hong Kong) Limited to market, sell and distribute WAP phones over the Group's portal network and to provide Hutchison's WAP customers with access to the Group's WAP content. Such co-operation is expected to generate revenues for the Group by way of commissions earned on the sale of WAP phones and membership fees from subscribers to its WAP content. The Group has similarly entered into a letter of intent with Peoples Telephone Company Limited to provide content for distribution through WAP phones, and expects to generate revenues from such arrangement based on airtime fees charged for access to the Group's WAP content. For full details of the Group's business development during this period, please refer to page 102 of the Prospectus.



STAR CHAT
WEBGANIZER
MEMBER
STAR-MAIL

星願。實現 *starEastNet*

主頁 Video Channel 娛樂追蹤 電視 電影 明星台 美麗男女 日劇 明星 音樂 流行榜 星座 潮流 體育 馬聖 [繁體](#)

Management Discussion and Analysis (Continued)

A comparison of the business objectives and actual progress covering the period between 15th May, 2000 and 30th September, 2000 and thereafter as stated in pages 110 to 117 of the Prospectus will appear in the Company's next quarterly report for the three months ended 30th June, 2000.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tam Wing Lun, Alan, aged 49, is the Chairman of the Company. He is also the Chairman of Star East Holdings Limited, which is a substantial shareholder and connected person of the Company. Mr. Tam is one of Hong Kong's leading recording artistes in Asia and has recorded more than 60 albums, including the award-winning "The Late Coming Spring", "Misty Love", and the "Root of Love". For the four consecutive years from 1985 to 1988, he won the "Most Popular Male Singer" award at the TVB Solid Gold Best Ten Awards ceremony in Hong Kong. Mr. Tam has performed in more than 150 solo concerts throughout Asia, Europe, and North America and has also appeared in more than 25 movies in Hong Kong. He joined the Group in March 1999 and was appointed to the Board in February 2000.

Mr. Wong Kun To, aged 44, is the Chief Executive Officer and Compliance Officer of the Company. With extensive experience in business investment, Mr. Wong is responsible for the overall investment strategy, corporate development and operations of the Group. Since joining the Group in January 1999, he has successfully developed the Group's various entertainment businesses, and the management team was strengthened in the areas of finance, corporate development and operation. Under his management, the Group has expanded progressively into the information technology business by establishing a leading global Chinese website for entertainment and life-style information. Trained as a qualified engineer, Mr. Wong is a member of the Institute of Engineers (U.K.) and the Hong Kong Institute of Engineers. He is an executive director of Star East Holdings Limited, ITC Corporation Limited and a non-executive director of Tung Fong Hung (Holdings) Limited. Mr. Wong was appointed to the Board in February 2000.

Mr. Chan Pak Cheung, Natalis, aged 49, is a well-known actor, master of ceremonies, and horseracing and soccer commentator. Mr. Chan has over 20 years' experience in the entertainment and film industry in Hong Kong. Mr. Chan joined the Group in March 1999 and was appointed to the Board in February 2000. He is also the Vice Chairman of Star East Holdings Limited.

Directors and Senior Management (Continued)

NON-EXECUTIVE DIRECTORS

Mr. Peter Anthony Allen, aged 45, is an executive director and the Chief Financial Officer of Pacific Century CyberWorks Limited, which is a substantial shareholder and connected person of the Company. He is also the Chief Financial Officer of Pacific Century Regional Developments Limited. Mr. Allen was educated in England and has a bachelor of arts degree in Economics from Sussex University, England. He is a Fellow of the Institute of Chartered Accountants at Singapore. Mr. Allen joined KPMG Peat Marwick in London in 1976 and in 1980 joined Occidental Petroleum Corporation. In 1983, Mr. Allen joined Schlumberger Limited and worked in various countries holding key finance positions. In 1989, Mr. Allen moved to Singapore as Regional Financial Director of the Vestey Group. He later joined Bousteadco Singapore Limited as Group Operations Controller in 1992 and Morgan Grenfell Investment Management (Asia) Limited as a director and Chief Operating Officer in 1995. He joined the Pacific Century Group and moved to Hong Kong in 1997. He was appointed to the Board in February 2000.

Mr. Mico Chung Cho Yee, aged 39, is an executive director of Pacific Century CyberWorks Limited responsible for CyberWorks Ventures. He is a qualified solicitor by profession. Mr. Chung graduated from the University College, University of London, England with a law degree in 1983. He was qualified as a solicitor in Hong Kong in 1986, after which he worked in the commercial department of a law firm in Hong Kong for two years. He joined the corporate finance department of Standard Chartered Asia Limited, the investment banking arm of Standard Chartered Bank, in 1988. He became a director and the general manager of Bond Corporation International Ltd. in 1990 and left to join China Strategic Holdings Limited as a director in January 1992. Mr. Chung joined the Pacific Century Group in March 1999 and was appointed to the Board in February 2000.

Mr. Chan Kong Sang, Jackie, alias **Sing Lung**, MBE, aged 46, has over 20 years' experience in the Hong Kong film industry as a leading film director and actor. He has won a number of film awards both in Hong Kong and abroad and is a popular international movie star. In 1986, Mr. Chan was awarded one of the "Ten Most Outstanding Young Persons" by the Hong Kong Junior Chamber of Commerce for his contribution to society. He was further awarded one of the "Ten Most Outstanding Young Persons of the World" in Sydney in 1988. Mr. Chan is the Chairman of the Global Food Culture Group Limited, a company whose securities are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan was appointed to the Board in February 2000. He is also an executive director of Star East Holdings Limited.

Mr. Masahide Saito, aged 29, joined Hikari Tsushin, Inc., a substantial shareholder and connected person of the Company, in 1990 and is the Managing Director and a board member of Hikari Tsushin, Inc. Mr. Saito was appointed to the Board in February 2000. Mr. Saito is also the Chairman and Chief Executive Officer of Hikari Tsushin International Ltd., a company whose securities are listed on The Stock Exchange of Hong Kong Limited.

Directors and Senior Management (Continued)

Mr. Masanori Suzuki, aged 41, is a director and board member of Hikari Tsushin, Inc. Prior to starting his career in Hikari Tsushin, Inc. in 1999, Mr. Suzuki spent 18 years in Japan Associate Finance Co. Ltd., Credit Suisse First Boston Securities Limited, Nomura Securities Co. Ltd. and Marubeni Corporation. Mr. Suzuki was appointed to the Board in February 2000. Mr. Suzuki is also an executive director of Hikari Tsushin International Ltd., a company whose securities are listed on The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bradford Allen, aged 43, is the founder and Chief Executive Officer of eFEDERAL.com, a leading business-to-government e-commerce portal. In addition, Mr. Allen is the former founder and Chief Executive Officer of BuyGolf.com Inc., a leading on-line golf retailer which was recently acquired by Buy.com Inc., one of the largest on-line retailers in the world and listed on NASDAQ in February 2000. In addition to his internet experience, Mr. Allen has over 18 years experience in the private and investment banking business, most recently with Bears, Stearn & Co., Inc. in Hong Kong in 1998 as Managing Director. Mr. Allen graduated with a business degree from Villanova University in 1978. He was appointed to the Board in February 2000.

Mr. Dominic Lai, aged 53, was appointed as an independent non-executive director of the Company in May 2000. Mr. Lai is a practising solicitor in Hong Kong and a senior partner of the Hong Kong law firm, Iu, Lai & Li. He is also director of a number of publicly listed companies in Hong Kong, including ITC Corporation Limited (as an independent non-executive director).

Mr. Cheung Ting Kau, Vincent, aged 58, was appointed as an independent non-executive director of the Company in May 2000. Mr. Cheung is a practising solicitor and the senior partner of the firm of solicitors, Vincent T.K. Cheung, Yap & Co. He obtained a bachelor of laws degree from University College, London and was admitted as a solicitor in the United Kingdom in 1970, in Hong Kong in 1972 and in Victoria, Australia in 1984. Mr. Cheung is an executive director of Global Food Culture Group Limited, a non-executive director of Gold Peak Industries (Holdings) Limited and Techtronic Industries Company Limited and an independent non-executive director of Paul Y. - ITC Construction Holdings Limited companies whose securities are listed on The Stock Exchange of Hong Kong Limited.

Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. Chan Yan Kin, Philip, aged 55, Chief Operating Officer, joined the Group in February 2000. Mr. Chan is a well known actor, master of ceremonies, film director and screen playwright. He worked in the Hong Kong Police Force as a superintendent in the 1970s. Mr. Chan has over 30 years' experience in the entertainment and media business in Hong Kong. He was the Chief Executive Officer of Metro Broadcasts Limited, a radio broadcasting company in Hong Kong and the General Manager of Capital Artists Limited, a record and entertainment company in Hong Kong. He is also an executive director of Star East Holdings Limited.

Ms. Siu Mei Wai, Irene Olivia, aged 26, Chief Strategy and Investment Officer, joined the Group in September 1999. She is responsible for the corporate and strategic planning as well as partnership and strategic alliance development of the Group. She also oversees the investment activities of the Group. She received a Bachelor of Science in Biology and a Bachelor of Science in Chemical Engineering from Massachusetts Institute of Technology. She also holds a MBA from Columbia University. Before joining the Group, she managed global corporate risk exposure at Smith Barney Inc., in New York and thereafter traded fixed income derivatives at Merrill Lynch & Co., Inc., in New York. She is a licensed broker/dealer in general securities, futures and commodities. She is also an executive director of Star East Holdings Limited.

Mr. Wong Yiu Hung, aged 35, Chief Financial Officer, joined the Group in March 1999. He is a qualified accountant, a fellow of the Association of Chartered Certified Accountants and an associate of The Hong Kong Society of Accountants. He holds a bachelor of laws degree from the Beijing University. His experience includes 8 years in finance, accounting, administration and corporate development in listed companies, namely, Hopewell Holdings Limited, International Tak Cheung Holdings Limited, ITC Corporation Limited and Star East Holdings Limited, and 5 years in two international accounting firms, KPMG Peat Marwick and Coopers & Lybrand. Prior to his joining the Group, Mr. Wong was the Chief Financial Officer of Star East Holdings Limited.

Mr. Wong Shui Wah, Winston, aged 44, Chief Technology Officer, joined the Group in January 2000. He has over 10 years of technology experience gained from International Business Machines Corporation and Hewlett Packard Company. Mr. Wong holds a bachelor of science degree in computer science from Northwestern University. He is also the first certified architect from the e-business industry in Greater China and Hong Kong to receive an award from the IBM Worldwide Professional Board for his achievement and leadership in developing the e-business solutions team for Greater China. Prior to joining the Group, Mr. Wong was the chief IT architect in IBM e-business solutions team for Greater China, and his projects include those for New World Cyberbase, the Government of Hong Kong, China Commodity Exchange Centre, Bank of China and Cathy Pacific Airways.



Directors and Senior Management (Continued)

Mr. Yu Ka Lim, Bruce, aged 53, Chief Marketing and Sales Officer, joined the Group in November 1999. Mr. Yu had obtained a bachelor of arts degree majoring in economics at the University of Hong Kong in 1968. He has over 20 years of marketing and sales experience in serving companies like McCann Erickson, Ogilvy & Mather, Star TV, Pacific Century Corporate Access, British American Tobacco and Hewlett Packard Hong Kong. Before joining the Group, he was the Company Marketing Director in Hewlett Packard and Deputy Controller Sales and Marketing, TVB.

Ms. Yu Wing Shan, Sandy, aged 41, Chief Content Officer, joined the Group in August 1999. She has over 16 years of programming experience gained from senior positions at Television Broadcasts Limited and at Asia Television Limited. Ms. Yu's recent production at ATV included the creation of "Hong Kong Today", a daily programme discussing social issues with an average ratings share of over 30%, and "Stories from Afar", a documentary on Chinese migrants abroad which recorded an average ratings share of 28% and was elected by audiences as one of the top ten programmes in the Next TV Awards in 1998.

Ms. Wong Lai Kin, Elsa, aged 34, Company Secretary and Legal Counsel, joined the Group in November 1999. She holds a bachelor's and master's degree in laws and was qualified as a solicitor of the Supreme Court of Hong Kong in 1991. Before joining the Group, Ms. Wong was the Corporate Counsel and Company Secretary of ITC Corporation Limited and Paul Y. - ITC Construction Holdings Limited, companies whose securities are listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2000.

The financial statements of the Company for the period from 31st January, 2000 (date of incorporation) to 31st March, 2000 are set out on pages 34 to 37 of the annual report.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands on 31st January, 2000.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") formed after the completion of the Group Reorganisation on 18th May, 2000.

Details of the Group Reorganisation are set out in the prospectus issued by the Company dated 23rd May, 2000. Proforma financial statements of the Group, based on the group structure following the Group Reorganisation, are set out on pages 40 to 64 of the annual report.

The shares of the Company have been listed on GEM since 1st June, 2000.

PRINCIPAL ACTIVITY

The Company is an investment holding company. It did not trade in the period between its date of incorporation on 31st January, 2000 and the date of the Group Reorganisation. Particulars of the companies which became the Company's subsidiaries on 18th May, 2000 are set out in note 21 to the proforma financial statements.

PROFORMA RESULTS

The proforma results of the Group for the year ended 31st March, 2000 are set out in the proforma consolidated income statement on page 40 .

Directors' Report (Continued)

PROPERTY AND EQUIPMENT

During the year, the companies comprising the Group spent approximately HK\$36,396,000 on network and computer equipment so as to expand and upgrade its operation capacity.

The Group does not hold any major landed property as at 31st March, 2000.

Details of this and other movements during the year in the Group's property and equipment are set out in note 9 to the proforma financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers account for approximately 25% and approximately 56% of the Group's proforma turnover, respectively, and the largest and the five largest suppliers account for 26% and 36% of the Group's proforma cost of sales for the year ended 31st March, 2000, respectively. Star East Holdings Limited ("Star East Holdings"), a substantial shareholder of the Company, is interested in the above transactions to the extent that it is the holding company of one of the five largest customers of the Group. Save as aforesaid, none of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) have any interest in the customers or suppliers disclosed above.

SHARE CAPITAL

Details of movements in the authorised and issued share capital of the Company during the period are set out in note 5 to the financial statements.

Directors' Report (Continued)

SHARE OPTIONS

EMPLOYEE SHARE OPTION SCHEME

Pursuant to the employee share option scheme (the "Employee Share Option Scheme") of the Company adopted on 15th May, 2000, the Board may grant options to full-time employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price which will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets on the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share. An option may be exercised in accordance with the terms of the Employee Share Option Scheme at any time during a period commencing 1 year after the date of grant of the option and ending 5 years after the date of grant of the option in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon partial exercise of option between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon partial exercise of option between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the option has not been previously exercised

The maximum number of shares in respect of which options may be granted under the Employee Share Option Scheme (or under any other similar schemes, including the Pre-IPO Share Option Scheme as described below) shall be such number which, in aggregate, does not exceed 30% of the issued share capital of the Company from time to time.

As at the date of this report, no option has been granted or agreed to be granted under the Employee Share Option Scheme.

Directors' Report (Continued)

SHARE OPTIONS (Continued)

PRE-IPO SHARE OPTION SCHEME

Pursuant to another share option scheme (the "Pre-IPO Share Option Scheme") of the Company adopted on 15th May, 2000, the Board has granted options comprising a total of 69,100,000 underlying shares to directors of the Company and its subsidiaries at an exercise price of HK\$1.18 per share on 26th May, 2000. Details of such grant to the directors of the Company are set out on page 26 of this report. The following are details of the options granted to directors (including alternate directors) of the subsidiaries of the Company:

Name of director	No. of underlying shares comprised in the options
Tsang Chi Wai, Eric	10,000,000
Chau Mei Wah, Rosanna	2,000,000
Siu Mei Wai, Irene Olivia	2,000,000
Wong Yiu Hung	2,000,000
Wong Lai Kin, Elsa	1,000,000
Lim Lai Hwa	900,000
Franky Tai	700,000

In addition, on the same date the Company granted options comprising a total of 29,910,000 underlying shares to certain employees and contracted celebrities of the Group other than directors of the Company and its subsidiaries.

Options granted under the Pre-IPO Share Option Scheme are valid for 5 years from the date of grant, and are subject to the same limitations on timing of exercise as contained in the Employee Share Option Scheme.

RESERVES

As at 31st March, 2000, the Company had no reserve available for distribution to its shareholders.

Directors' Report (Continued)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

Tam Wing Lun, Alan (<i>Chairman</i>)	(appointed on 28th February, 2000)
Wong Kun To (<i>Chief Executive Officer</i>)	(appointed on 28th February, 2000)
Chan Pak Cheung, Natalis	(appointed on 28th February, 2000)

NON-EXECUTIVE DIRECTORS

Peter Anthony Allen	(appointed on 28th February, 2000)
Chung Cho Yee, Mico	(appointed on 28th February, 2000)
Chan Kong Sang, Jackie	(appointed on 28th February, 2000)
Masahide Saito	(appointed on 28th February, 2000)
Masanori Suzuki	(appointed on 28th February, 2000)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Bradford Allen	(appointed on 28th February, 2000)
Dominic Lai	(appointed on 2nd May, 2000)
Cheung Ting Kau, Vincent	(appointed on 8th May, 2000)

In accordance with Article 115 of the Company's Articles of Association, Tam Wing Lun, Alan, Wong Kun To and Chan Pak Cheung, Natalis retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

Each of the executive directors has entered into a service contract with the Company for an initial term of three years which commenced on 1st June, 2000 and continues thereafter unless and until terminated by either party by giving to the other party not less than six months' prior written notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of the companies which became its subsidiaries on 18th May, 2000 which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES

The Company only became a listed company on 1st June, 2000. The interests of the directors and their respective associates in the shares capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Personal interests	No. of shares held		
		Family interests	Corporate interests (Note)	Other interests
Tam Wing Lun, Alan	-	-	87,150,000	-
Chan Pak Cheung, Natalis	-	-	87,150,000	-

Note: These shares were beneficially owned by Gold Miracles Limited, a company in which each of the relevant directors, holds one third of the issued share capital. Each relevant director is therefore deemed to be interested in 87,150,000 shares in the Company.

Save as disclosed above, as at 1st June, 2000 none of the directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Report (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES (Continued)

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 15th May, 2000, the directors of the Company were granted options on 26th May, 2000 to subscribe for shares in the Company at an exercise price of HK\$1.18 per share as follows:

Name of director	No. of underlying shares comprised in the options
Tam Wing Lun, Alan	12,500,000
Wong Kun To	12,500,000
Chan Pak Cheung, Natalis	12,500,000
Chan Kong Sang, Jackie	6,000,000
Peter Anthony Allen	1,000,000
Chung Cho Yee, Mico	1,000,000
Masahide Saito	1,000,000
Masanori Suzuki	1,000,000
Bradford Allen	1,000,000
Dominic Lai	1,000,000
Cheung Ting Kau, Vincent	1,000,000

Directors' Report (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES (Continued)

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant (i.e. between 26th May, 2001 and 25th May, 2005) in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon partial exercise of the option between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon partial exercise of the option between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the option has not been previously exercised

Save as disclosed above, at no time was the Company or its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS

Details of transactions during the year between companies which became the Company's subsidiaries on 18th May, 2000 and related parties are as follows:

A. AIRTIME CONTRACT

On 24th August, 1999, STAREASTnet (BVI) Limited ("STAREASTnet (BVI)"), a wholly-owned subsidiary of the Company, entered into an agreement with Pacific Convergence Corporation, Ltd. ("PCC"), a subsidiary of a substantial shareholder, Pacific Century CyberWorks Limited, whereby STAREASTnet (BVI) agreed to order airtime on PCC's television and the internet network to the value of approximately US\$6,556,000 over a period of two years commencing from 24th August, 2001. Pursuant to the agreement, STAREASTnet (BVI) made a prepayment of approximately US\$6,556,000 which shall be applied to offset future utilisation of the air-time. On 9th March, 2000, both parties entered into a supplemental agreement whereby the consideration was amended to approximately US\$5,394,000 (approximately HK\$41,806,000) having regard to the re-scheduling of the launch date of PCC's network, and the term of airtime usage was amended to a two-year period commencing from 30 months after 24th August, 1999 (i.e. 24th February, 2002). An amount of approximately US\$1,162,000 (approximately HK\$9,000,000) had been refunded to the Group. According to the terms of the revised agreement, the said sum of HK\$41,806,000 worth of air-time prepayment would be fully utilised over the period from 24th February, 2002 to 23rd February, 2004.

Directors' Report (Continued)

DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS (Continued)

B. CONTENT PROVISION AGREEMENTS

Star East Multimedia Limited ("Star East Multimedia"), a wholly-owned subsidiary of the Company, entered into an agreement dated 17th March, 2000 with The Saint News Limited ("Saint News"), a 51% indirectly-owned subsidiary of a substantial shareholder, Star East Holdings. Pursuant to the agreement, Saint News will provide content on horse racing to Star East Multimedia on the internet. The term of the agreement is for a period of one year from 17th March, 2000 to 16th March, 2001. Star East Multimedia and Saint News will share the revenue generated from the content in a ratio to be determined by both parties. No revenue has been generated from the content during the year ended 31st March, 2000.

On 17th March, 2000, Star East Multimedia also entered into an agreement (the "Distribution Agreement") with Bob & Partners Co., Ltd. ("Bob"), a wholly-owned subsidiary of Star East Holdings, under which Bob agreed to grant the Group the exclusive right to distribute on the internet, websites or any other media of a similar nature throughout the world such film titles produced by or licensed to Bob from time to time (the "Bob Films"). The Distribution Agreement is for a period of three years commencing on the date of the Distribution Agreement. The Group did not make any payment to Bob under the Distribution Agreement during the year ended 31st March, 2000.

Under the Distribution Agreement, Star East Multimedia is required to pay Bob 50% of its gross annual income attributable to advertising service fees and premium service fees which are related to the distribution of Bob Films. Star East Multimedia guaranteed that the fees payable shall not be less than HK\$9 million for the whole term, and shall not be less than HK\$3 million in average for each financial year. Star East Multimedia is required to make a non-refundable prepayment of HK\$5 million pursuant to the Distribution agreement, which shall be applied to offset the fees payable by Star East Multimedia.

C. TECHNICAL SERVICES

Cyber Business Network (Singapore) Pte Ltd. ("CBN"), a subsidiary of a substantial shareholder, Hanny Holdings Limited, carries on the business of providing internet-related technical consulting services. For the year ended 31st March, 2000, the Group incurred an amount of approximately HK\$6,899,000 for the purchase of computer equipment and related technical services as well as the reimbursement of expenses paid on behalf of the Group. Such technical services were charged on an hourly basis for the launch of the Group's platform in Singapore.

D. SUBCONTRACT OF ADVERTISING SERVICES

Star East Holdings and its subsidiaries from time to time perform entertainment-related advertising and promotion services, in particular those involving artistes, in consideration for marketing funds. Depending on the marketing nature of work required, Star East Holdings may subcontract such advertising and promotion work to other companies. If the work involves internet-related advertising services, Star East Holdings may subcontract such work to the Group. For the year ended 31st March, 2000, the Group received an aggregate sum of HK\$2,565,000 for services provided to Star East Management Limited, a wholly-owned subsidiary of Star East Holdings, in relation to the promotion of the corporate image of Legend Expert Systems Limited and IBM China/Hong Kong Limited.

Directors' Report (Continued)

DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS (Continued)

E. CELEBRITY CONTRACTS

1. Star East On-line Limited ("Star East On-line"), a wholly-owned subsidiary of the Company, has entered into contracts with Mr. Tam Wing Lun, Alan and Mr. Chan Pak Cheung, Natalis, executive directors of the Company. Under the contracts, Star East On-line shall set up official websites for Mr. Tam and Mr. Chan, who will participate in the activities conducted for the official websites. Mr. Tam and Mr. Chan are entitled to remuneration equal to half share of the revenue derived from the official websites (including but not limited to fees chargeable to users and income from advertisements on and sponsorship for the official websites). The Group did not make any remuneration payment to Mr. Tam and Mr. Chan during the year ended 31st March, 2000.

2. On 23rd February, 2000, Star East On-line entered into an agreement with Mr. Chan Kong Sang, Jackie, a non-executive director of the Company, and his manager. Pursuant to the agreement, Mr. Chan grants to Star East On-line the rights to use, operate and manage his official website and to use certain promotional materials. Pursuant to a supplemental agreement dated 17th May, 2000 between Star East On-line, Mr. Chan and his manager, the parties agreed that the gross income derived from the official website (including but not limited to fees chargeable to users and income from advertisements on and sponsorship for the official websites) shall be shared between them on an equal basis except that for all e-commerce transactions related to Mr. Chan's official website, the parties will determine the sharing of the gross income on a case-by-case basis, having regard to the source and nature of the e-commerce revenue, production costs involved and the extent of participation of Mr. Chan in the activities generating the income, provided that Mr. Chan's proportion shall not exceed 50% in any event.

In the opinions of the independent non-executive directors of the Company, all the above transactions were entered into by the Group in the ordinary course of business on normal commercial terms.

Save as disclosed above, no contract of significance to which the Company or any of the companies which became its subsidiaries on 18th May, 2000 was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31st March, 2000 or at any time during the year ended 31st March, 2000.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS

The Company became a listed company on 1st June, 2000. The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company as at 1st June, 2000:

Name	Number of shares held	Approximate percentage of share holding	Notes
Hanny Holdings Limited	225,760,000	22.58%	1
Hanny Magnetics (B.V.I.) Limited	225,760,000	22.58%	2
Genius Ideas Limited	225,760,000	22.58%	-
Star East Holdings	367,690,000	36.77%	3
Star East (B.V.I.) Limited	367,690,000	36.77%	4
Star East Information Technology Management Co. Limited	332,000,000	33.20%	-
Li Tzar Kai, Richard	332,000,000	33.20%	5
Pacific Century Group Holdings Limited	332,000,000	33.20%	6
Pacific Century International Limited	332,000,000	33.20%	7
Pacific Century Group (Cayman Islands) Limited	332,000,000	33.20%	8
Anglang Investments Limited	332,000,000	33.20%	9
Pacific Century Regional Developments Limited	332,000,000	33.20%	10
Pacific Century CyberWorks Limited	332,000,000	33.20%	11
Century Power Group Limited	332,000,000	33.20%	12
CyberVentures (Bermuda) Limited	332,000,000	33.20%	13
CyberWorks Ventures Limited	332,000,000	33.20%	14
Splendid Stars Group Limited	332,000,000	33.20%	15
Yasumitsu Shigeta	149,400,000	14.94%	16
Hikari Power, Limited	149,400,000	14.94%	17
Hikari Tsushin, Inc.	149,400,000	14.94%	-

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. By reason of its 100% indirect interest in Genius Ideas Limited through Hanny Magnetics (B.V.I.) Limited.
2. By reason of its 100% direct interest in Genius Ideas Limited.
3. By reason of its 100% direct interest in Star East (B.V.I.) Limited.
4. Including direct interest and indirect interest through Star East Information Technology Management Co. Limited.
5. By reason of his over one-third interest in Pacific Century Group Holdings Limited.
6. By reason of its over one-third interest in Pacific Century International Limited.
7. By reason of its over one-third interest in Pacific Century Group (Cayman Islands) Limited.
8. By reason of its over one-third interest in Anglang Investments Limited and Pacific Century Regional Developments Limited.
9. By reason of its over one-third interest in Pacific Century Regional Developments Limited.
10. By reason of its over one-third interest in Pacific Century CyberWorks Limited.
11. By reason of its over one-third interest in Century Power Group Limited.
12. By reason of its over one-third interest in CyberVentures (Bermuda) Limited.
13. By reason of its over one-third interest in CyberWorks Ventures Limited.
14. By reason of its over one-third interest in Splendid Stars Group Limited.
15. By reason of its 50% direct interest in Star East Information Technology Management Co. Limited.
16. By reason of his over one-third interest in Hikari Power, Limited.
17. By reason of its over one-third interest in Hirkari Tsushin, Inc.

SPONSORS' INTERESTS

As updated and notified by the Company's sponsors, BNP Prime Peregrine Capital Limited and Tai Fook Capital Limited (the "Sponsors"), as at 1st June, 2000 neither of the Sponsors nor any of their respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

Pursuant to the agreement dated 22nd May, 2000 entered into between the Company and the Sponsors, the Sponsors will receive a fee for acting as the Company's retained sponsors for the period from 22nd May, 2000 to 31st March, 2003.

COMPETING INTERESTS

The directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

Directors' Report (Continued)

PENSION SCHEME

The Company does not have any pension or other retirement benefit scheme in place yet.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CORPORATE GOVERNANCE

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its shares on GEM on 1st June, 2000.

DONATIONS

During the year, the Group made donations amounting to approximately HK\$28,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 6 to the financial statements and note 22 to the proforma financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 31st January, 2000. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board

TAM WING LUN, ALAN

Chairman

Hong Kong, 17th June, 2000

**Deloitte Touche
Tohmatsu****德勤·關黃陳方
會計師行****Certified Public Accountants**
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong**TO THE MEMBERS OF STAREASTNET.COM CORPORATION***(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 34 to 37 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st March, 2000 and of its results for the period from 31st January, 2000 (date of incorporation) to 31st March, 2000 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 17th June, 2000

	<i>Note</i>	<i>HK\$</i>
CASH BALANCE		2
<hr/> <hr/>		
SHARE CAPITAL	5	2
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The financial statements on pages 34 to 37 were approved by the board of directors of the Company on 17th June, 2000 and are signed on its behalf by:

Wong Kun To
Director

Chan Pak Cheung, Natalis
Director

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 31st January, 2000.

The Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") on 1st June, 2000.

The Company did not trade during the period ended 31st March, 2000.

2. BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

3. RESULTS FOR THE PERIOD

The Company did not derive any income during the period. The expenses for the period which were necessary to maintain the Company, including auditors' remuneration of HK\$50,000, were borne by STAREASTnet (BVI) Limited ("STAREASTnet (BVI)") which became the Company's subsidiary on 18th May, 2000.

4. TAXATION

No provision for taxation has been made in the financial statements as the Company had no income for the period.

5. SHARE CAPITAL

	Authorised <i>US\$</i>	Issued and fully paid <i>US\$</i>
Shares of US\$0.10 each	50,000	0.2
Shown in the financial statements as		HK\$2

5. SHARE CAPITAL (Continued)

The Company was incorporated on 31st January, 2000 with an authorised share capital of US\$50,000 divided into 500,000 shares of US\$0.10 each. On 28th February, 2000, two shares of US\$0.10 each were allotted and issued, credited as fully paid, to the initial subscribers to provide the initial share capital for the Company and such shares were then transferred to a sole shareholder.

Changes in the share capital of the Company subsequent to 31st March, 2000 are set out in note 6.

6. POST BALANCE SHEET EVENTS

- (a) Pursuant to a written resolution of the sole shareholder of the Company passed on 2nd May, 2000, the authorised share capital of the Company was increased by HK\$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK\$0.10 each. The then two issued existing shares of US\$0.10 each were repurchased and cancelled and the unissued share capital of US\$49,999.80 was also cancelled. Two shares of HK\$0.10 each were issued to Star East (B.V.I.) Limited ("Star East (BVI)"), credited as fully paid.
- (b) Pursuant to the resolutions passed by the sole shareholder of the Company on 15th May, 2000:
- (i) the Company adopted a share option scheme for the employees of the Company and its subsidiaries;
 - (ii) the Company issued 170,000,000 new shares of HK\$0.10 each for cash at HK\$1.18 per share on 29th May, 2000 (the "Share Offer"); and
 - (iii) HK\$53,000,000 of the share premium account of the Company, which was credited as a result of the Share Offer, was capitalised and applied in paying up in full at par 530,000,000 shares for allotment and issue to holders of shares on the register of members of the Company as at 23rd May, 2000 pro rata to their shareholdings on a basis of 53 shares for every 30 shares held by the shareholders on 30th May, 2000;

6. POST BALANCE SHEET EVENTS *(Continued)*

- (c) The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the shares on GEM, pursuant to which the Company became the ultimate holding company within the Group. Pursuant to an agreement entered into on 18th May, 2000, the Company acquired the entire issued share capital of STAREASTnet (BVI), the then holding company, from its then shareholders Hikari Tsushin, Inc., Star East (BVI), Star East Information Technology Management Co. Limited, Gold Miracles Limited and Genius Ideas Limited and, in consideration for such acquisition, the Company allotted and issued 299,999,998 shares in aggregate, credited as fully paid at HK\$0.10 each, to the then existing shareholders of STAREASTnet (BVI).

**Deloitte Touche
Tohmatsu**



**德勤·關黃陳方
會計師行**

Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE DIRECTORS OF STAREASTNET.COM CORPORATION

(incorporated in the Cayman Islands with limited liability)

We have audited the proforma financial statements on pages 40 to 64 which have been prepared in accordance with the accounting policies set out in note 2 to the financial statements which comply with accounting principles generally accepted in Hong Kong except that the effects of the group reorganisation entered into after the balance sheet date have been accounted for using merger accounting which is not in accordance with the requirements of Statement of Standard Accounting Practice No. 27 "Accounting for group reconstructions" ("SSAP 27"). Although the group reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of proforma financial statements which are properly prepared in accordance with the accounting policies set out in note 2 to the proforma financial statements. In preparing such proforma financial 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 audit, on those statements and to report our opinion to you.

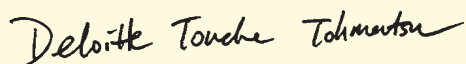
BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the proforma financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the proforma financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the proforma financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the proforma financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the proforma financial statements for the year ended 31st March, 2000 have been properly prepared in accordance with the accounting policies set out in note 2 to the proforma financial statements and the disclosure requirements of the Hong Kong Companies Ordinance.



Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 17th June, 2000

	Notes	1.4.1999 to 31.3.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
TURNOVER	3	10,375	-
COST OF SALES		(23,505)	-
GROSS LOSS		(13,130)	-
ADVERTISING AND PROMOTION EXPENSES		(20,073)	-
ADMINISTRATIVE EXPENSES		(47,742)	(197)
LOSS FROM OPERATIONS	4	(80,945)	(197)
INTEREST INCOME		1,063	-
INTEREST EXPENSE AND FINANCE LEASE CHARGES		(163)	-
EXCHANGE GAIN		230	-
NET LOSS FOR THE YEAR/PERIOD		(79,815)	(197)
LOSS PER SHARE (CENTS)	8	(9.616)	(0.024)

There were no recognised gains and losses other than the net loss for the year/period.

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Property and equipment	9	43,858	-
Intangible assets	10	8,875	-
Prepaid airtime	14	41,806	-
		94,539	-
CURRENT ASSETS			
Accounts receivable		3,142	-
Prepaid expenses and other current assets		10,170	-
Receivables from related parties	14	5,386	1
Bank balances and cash		7,904	-
		26,602	1
CURRENT LIABILITIES			
Accounts payable		26,370	-
Other liabilities and accrued expenses		3,457	32
Payables to related parties	14	17,799	165
Obligations under finance leases - due within one year	11	719	-
		48,345	197
NET CURRENT LIABILITIES		(21,743)	(196)
TOTAL ASSETS LESS CURRENT LIABILITIES		72,796	(196)
NON-CURRENT LIABILITY			
Obligations under finance leases - due after one year	11	893	-
		71,903	(196)
CAPITAL AND RESERVES			
Share capital	12	8	1
Reserves	13	71,895	(197)
		71,903	(196)

The proforma financial statements on pages 40 to 64 were approved by the board of directors of the Company on 17th June, 2000 and are signed on its behalf by:

Wong Kun To
Director

Chan Pak Cheung, Natalis
Director

	<i>Notes</i>	1.4.1999 to 31.3.2000 <i>HK\$'000</i>	18.2.1999 to 31.3.1999 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	(46,702)	(1)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,063	-
Finance lease charges		(107)	-
Interest paid		(56)	-
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		900	-
INVESTING ACTIVITIES			
Payment of airtime		(50,806)	-
Purchase of property and equipment		(45,637)	-
Refund of prepaid airtime		9,000	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(87,443)	-
NET CASH OUTFLOW BEFORE FINANCING		(133,245)	-
FINANCING			
	16		
Net proceeds from issue of new shares		141,753	1
Repayment of obligations under finance leases		(604)	-
NET CASH INFLOW FROM FINANCING		141,149	1
INCREASE IN CASH AND CASH EQUIVALENTS		7,904	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, representing bank balances and cash		7,904	-

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF PROFORMA FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 31st January, 2000.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Company became the holding company of the group (the "Group") formed after the completion of the Group Reorganisation on 18th May, 2000.

The Group Reorganisation principally involved the exchange of fully-paid shares of the Company with all the issued shares of STAREASTnet (BVI) Limited ("STAREASTnet (BVI)").

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these proforma financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

Details of the Group Reorganisation are set out in the prospectus (the "Prospectus") issued by the Company dated 23rd May, 2000.

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange on 1st June, 2000.

The Group is a Chinese language media group seeking to provide multimedia entertainment and life-style information to the Chinese community world-wide. The Group produces and distributes original interactive programming through its network of vertically-integrated entertainment portals.

The financial statements for the current period cover the twelve month period ended 31st March, 2000. the corresponding amounts shown for the income statement, statement of recognised gains and losses, cash flows and related notes cover a period from 18th February, 1999 to 31st March, 1999, and therefore may not be comparable with amounts shown for the current year. The period covered by the 1999 financial statements was less than twelve months because STAREASTnet (BVI), the then holding company of the Group, was incorporated on 18th February, 1999.

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF PROFORMA FINANCIAL STATEMENTS (Continued)

The financial statements have been prepared on a going concern basis because after taking into account the net proceeds of the placing and public offer of shares of the Company and the advance from certain shareholders of the Company as set out in note 22(b), the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

The proforma financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong except for the non compliance with statement of Standard Accounting "Accounting for group reconstructions" Practice No. 27 issued by the Hong Kong Society of Accountants ("SSAP 27") described under basis of consolidation below. The principal accounting policies adopted are set out below:

BASIS OF CONSOLIDATION

The proforma consolidated financial statements incorporate the financial statements of the Company and the companies which became the Company's subsidiaries on 18th May, 2000 made up to 31st March each year.

The proforma consolidated financial statements incorporate the effects of the Group Reorganisation completed on 18th May, 2000 (as described in note 1 above). For the purposes of the proforma presentation, the reorganisation has been accounted for by using merger accounting. This treatment is not in accordance with SSAP 27 because, although the group reorganisation meets the definition of a group reconstruction under SSAP 27, SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the date of the most recent balance sheet included in the financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the proforma consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOODWILL

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediate on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

REVENUE RECOGNITION

The Group generates its revenues from advertising service fees and sales of goods.

Advertising revenues are derived from the sales of banner advertisements and sponsorships on the Group's website. Advertising revenues are recognised over the period in which the advertisements are displayed, provided that no significant obligations remain and collection of the receivable is reasonably assured. The Group's obligations typically include guarantees of a minimum number of "impressions" (times that an advertisement is viewed by users of the Group's website over a specified period of time). To the extent that minimum guaranteed impressions are not met, the Group does not recognise the corresponding revenues until the guaranteed impressions are achieved.

Revenues from sponsorship arrangements are recognised rateably over the contract term, provided that the Group has no significant obligations remaining. Revenue related to the design, coordination and integration of content under sponsorship arrangements is recognised rateably over the contract term or using the percentage of completion method if the revenue for the service is fixed.

Sales of goods are recognised when goods are delivered and title has passed and collectibility for such sales are reasonably assured.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

COST OF SALES

Cost of sales consists primarily of content fees, payroll and related expenses for the editorial and operations staff, telecommunications and computer-related expenses for the support and delivery of the Group's services and cost of goods sold.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADVERTISING EXPENSE

All costs of advertising are expensed when incurred.

SOFTWARE RESEARCH AND DEVELOPMENT COSTS

Costs incurred in the research and development of software products of the Group are expensed as incurred unless the costs of development satisfy the criteria for the recognition of such costs as assets. During the year, no significant software research and development costs have been incurred.

PREPAID AIRTIME

Prepaid airtime represents amounts paid to reserve airtime, both television and internet, for future usage by the Group. Prepaid airtime is amortised over the life of the contract based on the Group's actual usage and at the rates as stipulated in the contracts.

INTANGIBLE ASSETS

The intangible assets represent the exclusive licence to distribute, exploit and exhibit specified films on the internet or any other media of a similar nature and are amortised over the licensed period of three years on a straight-line basis.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure for additions and improvements is capitalised and expenditure for maintenance and repairs is charged to the proforma consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the proforma consolidated income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Depreciation is provided to write off the cost of property and equipment over their estimated useful lives, on a straight-line basis, at the following rates per annum:

Leasehold improvements	Shorter of the lease term or 5 years
Furniture, fixtures and equipment	20%
Network and computer equipment	33 ¹ / ₃ %
Operating equipment	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

TAXATION

The charge for taxation is based on the results for the periods after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the proforma consolidated income statement.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the proforma balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the proforma consolidated income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the proforma consolidated income statement on a straight-line basis over the term of the relevant lease.

CASH EQUIVALENTS

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

3. TURNOVER

	1.4.1999 to 31.3.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
Advertising revenues	7,079	-
Sales of goods, net of discounts and allowances	3,296	-
	10,375	-

4. LOSS FROM OPERATIONS

	1.4.1999 to 31.3.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	125	-
Auditors' remuneration	500	-
Depreciation:		
Owned assets	3,410	-
Assets held under finance leases	585	-
Operating lease rentals in respect of:		
Office premises	2,866	-
Internet leased lines	1,999	-
Staff costs	32,527	152

5. DIRECTORS' REMUNERATION

During the year, salaries and allowances of HK\$422,000 (28.2.1999 to 31.3.1999: Nil) was paid to one of the directors of the Company. 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. None of the directors has waived any emoluments during the year.

During the year, included in the salaries reimbursed to the group companies of ITC Corporation Limited ("ITC") and of Star East Holdings Limited ("SEH"), details of which are set out in note 14, is an amount of HK\$2,669,000 paid in respect of the services provided to the Group by an employee of ITC and SEH, who was subsequently appointed as a director of the Company.

6. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group in the periods ended 31st March, 2000 and 1999 did not include any director. The emoluments of the five individuals were as follows:

	1.4.1999 to 31.3.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
Salaries and other benefits	3,244	25
Incentive paid on joining	500	-
	3,744	25

None of the highest paid individuals had emoluments exceeding HK\$1,000,000.

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year/period.

Details of unrecognised deferred taxation are set out in note 18.

8. LOSS PER SHARE

The calculation of the loss per share for the year is based on the loss for the year of HK\$79,815,000 (18.2.1999 to 31.3.1999: HK\$197,000) and on 830,000,000 shares (18.2.1999 to 31.3.1999: 830,000,000 shares) in issue during the year, and on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 530,000,000 shares of the Company had been effective on 18th February, 1999.

9. PROPERTY AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Network and computer equipment <i>HK\$'000</i>	Operating equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
Additions during the year and balance at 31st March, 2000	4,178	1,305	36,396	5,718	256	47,853
DEPRECIATION						
Provided for the year and balance at 31st March, 2000	758	106	2,663	439	29	3,995
NET BOOK VALUES						
At 31st March, 2000	3,420	1,199	33,733	5,279	227	43,858

Included in property and equipment are assets held under finance leases with net book values of HK\$1,631,000.

10. INTANGIBLE ASSETS

	<i>HK\$'000</i>
COST	
Acquired during the year and balance at 31st March, 2000	9,000
AMORTISATION	
Provided for the year and balance at 31st March, 2000	125
NET BOOK VALUE	
At 31st March, 2000	8,875

11. OBLIGATIONS UNDER FINANCE LEASES

	31.3.2000 HK\$'000	31.3.1999 HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	719	-
More than one year but not exceeding two years	719	-
More than two years but not exceeding five years	174	-
	1,612	-
Less: Amount due within one year shown under current liabilities	719	-
	893	-

12. SHARE CAPITAL

For the purposes of the preparation of these proforma financial statements, the balance of the share capital and share premium shown in the proforma consolidated balance sheet at 31st March, 2000 and 31st March, 1999 respectively represents the issued capital and share premium of STAREASTnet (BVI), which was acquired by the Company pursuant to the Group Reorganisation.

	31.3.2000 US\$'000	31.3.1999 US\$'000
Authorised:		
50,000 shares of US\$1 each	50	50
Issued and fully paid:		
1,000 shares (31.3.1999: 100 shares) of US\$1 each	1	-
	8	1
	8	1
Shown in the financial statements as	8	1

12. SHARE CAPITAL (Continued)

STAREASTnet (BVI) issued 100 shares at par value of US\$1 each on 18th February, 1999. On 2nd September, 1999, STAREASTnet (BVI) issued 100 shares with a par value of US\$1 each for a total cash consideration of HK\$83,643,000. STAREASTnet (BVI) incurred expenses in the amount of HK\$13,535,000 which were directly associated with the issuance of these shares. On 8th November, 1999, STAREASTnet (BVI) declared and issued bonus shares on a seven-for-two basis to the shareholders. The bonus issue was charged to share premium in the amount of approximately HK\$6,000. STAREASTnet (BVI) issued 100 shares with a par value of US\$1 each for a total cash consideration of approximately US\$10,556,000, equivalent to HK\$81,806,000, in accordance with an agreement for the subscription of 100 new shares of US\$1 each in STAREASTnet (BVI) dated 27th September, 1999.

Following the completion of the subscription agreement, STAREASTnet (BVI) entered into two call option deeds with Pacific Century Cyberworks Limited ("PCCW") and Hikari Tsushin Inc. ("Hikari"), both of which had beneficial interests in STAREASTnet (BVI). Under the option deeds, each of PCCW and Hikari was granted the right to purchase 100 shares in STAREASTnet (BVI) at US\$137,222 per share. The options were cancelled subsequent to 31st March, 2000.

13. RESERVES

	Share premium HK\$'000	Deficit HK\$'000	Total HK\$'000
Net loss for the period and balance			
at 31st March, 1999	-	(197)	(197)
Issue of new shares	165,448	-	165,448
Issue expense	(13,535)	-	(13,535)
Issue of bonus shares	(6)	-	(6)
Net loss for the year	-	(79,815)	(79,815)
<hr/>			
At 31st March, 2000	151,907	(80,012)	71,895

14. RELATED PARTY TRANSACTIONS

	31.3.2000 HK\$'000	31.3.1999 HK\$'000
Prepaid airtime to Pacific Convergence Corporation, Limited ("PCC") (note i)	41,806	-
Receivables from related parties consist of the amounts due from the following companies:		
Group companies of Paul Y. – ITC Construction Holdings Limited ("Paul Y.") (note ii)	1,865	-
SEH (note iii)	2,921	-
Group company of Tung Fong Hung (Holdings) Limited ("TFH") (note iv)	300	-
Success Target Limited ("Success Target") (note iv)	300	-
Other	-	1
	5,386	1
Payables to related parties consist of the amounts due to the following companies:		
Group company of Hanny Holdings Limited ("Hanny") (note iii)	3,260	-
Paul Y. (note ii)	1,946	-
SEH (note iii)	12,593	165
	17,799	165

The receivables from and payables to the related parties are unsecured and have no fixed repayment terms. These balances arise from the Group's trading activities and accordingly are interest free.

14. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) The Group on 24th August, 1999 entered into a contract with PCC, a subsidiary of PCCW, to secure and pre-occupy a future Pan Asia promotion platform for access to airtime, including television and internet. The amount paid by the Group under the contract was approximately US\$6,556,000, equivalent to HK\$50,806,000. The airtime would be used for marketing and promotion purposes. The contract contained, among others, the following terms:
- a. The value of the airtime used by the Group would be based on the then current fees and charges in PCC's rate cards;
 - b. The airtime must be used by the Group within a two-year period commencing upon the expiry of two years after the contract date;
 - c. The airtime might be sold by the Group to third parties provided that it was not at rates lower than PCC's then current rates and charges shown on PCC's rate cards; and
 - d. Any unused airtime at 24th August, 2003 would be forfeited.

On 9th March, 2000 the Group and PCC agreed to modify the terms and conditions of this contract. Pursuant to the new agreement consideration for the airtime was reduced to approximately US\$5,394,000 from approximately US\$6,556,000 and the usage of airtime was extended to 23rd February, 2004. The Group had received a cash refund from PCC in the amount of approximately US\$1,162,000, equivalent to HK\$9,000,000, in March 2000.

At 31st March, 2000, no part of the airtime under the contract had been utilised.

The Group's management believes that the remaining airtime will be fully utilised during the contract term. The Group will evaluate the carrying value of this asset whenever circumstances indicate its carrying amount may no longer be recoverable.

On 22nd October, 1999 and 25th November, 1999, the Group entered into two contracts with PCC related to the access to airtime including television and internet for US\$2,000,000 each. On 9th March, 2000, the Group and PCC mutually agreed to the cancellation of these contracts at no cost to the Group.

- (ii) Paul Y. is an affiliate of ITC. The amount receivable represents the rental deposits paid by the Group pursuant to operating leases for office premises, and the amount payable arose from the transactions entered into with Paul Y. as detailed in the following notes (x) and (xii).

14. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (iii) SEH, ITC and Hanny are companies which have beneficial interests in the Group. The balances with SEH arose from the transactions entered into with SEH as detailed in the following notes (v), (vi) (viii), (x), (xi) and the licence fee paid to Bob as set out below. The payable to Hanny arose from the transactions as detailed in the following note (xi).
- (iv) TFH is an affiliate of ITC. Success Target is a subsidiary of Hikari, which has a beneficial interest in the Group. The amounts represent the advertising revenue receivable from TFH and Success Target.

The Group entered into the following transactions with related parties during the year/period:

	1.4.1999 to 31.3.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
Advertising revenue (note v)	3,220	-
Advertising and promotion expenses (note vi)	3,250	-
Artistes shooting and consultancy fees (note vii)	3,857	-
Entertainment expenses (note viii)	172	-
Interest expenses (note ix)	54	-
Rent and building management expenses (note x)	2,773	-
Salaries (note xi)	10,960	127
Sundry expenses (note xii)	47	-

- (v) The advertising revenue was received from TFH, SEH and Success Target. The amount was charged in accordance with the Group's usual scale charges.
- (vi) The advertising and promotion expenses were paid to SEH and Bob & Partner Co., Limited ("Bob"), a subsidiary of SEH. The amounts represented the actual amounts of advertising expenses incurred by SEH on behalf of the Group and the promotion expense paid to Bob.
- (vii) The artistes shooting and consultancy fees were paid to Gold Miracles Limited which has a beneficial interest in the Group. The amounts were charged at the pre-agreed rates.
- (viii) The entertainment expenses were paid to SEH. The amounts represented the actual amounts incurred by SEH on behalf of the Group.

14. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (ix) During the year, ITC advanced to the Group an aggregate amount of HK\$4,500,000, which bore interest at Hong Kong prime rate plus 4% per annum and was fully repaid by the Group during the year. The interest expense charged by ITC amounted to approximately HK\$54,000.
- (x) The rent and building management expenses of approximately HK\$2,643,000 were paid to Paul Y, and the rent expense of approximately HK\$130,000 was paid to a subsidiary of SEH. The amounts were charged at pre-agreed fixed monthly rates by reference to market prices of similar transactions.
- (xi) The salaries were reimbursed to ITC, SEH and Hanny for the secondment of certain employees to the Group or services provided by employees of ITC, SEH and Hanny for the business of the Group. The amounts represented the actual amounts incurred by ITC, SEH and Hanny on behalf of the Group.
- (xii) The sundry expenses were paid to Paul Y. The amounts represented the actual amounts incurred by Paul Y. on behalf of the Group.

In addition to the above, during the year, the Group purchased property and equipment from Paul Y. amounting to approximately HK\$163,000 and incurred an amount of approximately HK\$6,899,000 for the purchase of computer equipment and related technical services from Hanny, as well as the reimbursement of expenses paid on behalf of the Group by Hanny. The amounts were charged in accordance with terms agreed between both parties and by reference to market prices.

Under a management agreement dated 19th November, 1999, the Group has appointed Star East Information Technology Management Co. Limited ("SEITM"), a shareholder of the Company which is equally owned by PCCW and SEH to manage the day-to-day affairs and business of the Group and provide the Group at cost with management services including, among others, general administrative and accounting services and repairs and maintenance services. No such services had been provided by SEITM to the Group during the year and the management agreement was terminated in May 2000.

During the year, Perpetual Gold Company Limited ("Perpetual Gold"), which was a wholly-owned subsidiary of the Group, acquired a 51% interest in The Saint News Limited ("Saint News"), a company in which a former director of the Company has a beneficial interest, for a consideration of HK\$2,550,000. During the year, the Group subsequently sold its entire interests in Perpetual Gold and Saint News to SEH for the same amount. The results of Saint News has been excluded from the Group's proforma consolidated financial statements, because at the time of acquisition the Group intended such ownership in Saint News to be temporary.

14. RELATED PARTY TRANSACTIONS (Continued)

In addition, the Group entered into an agreement with Saint News on 17th March, 2000. Pursuant to the agreement, Saint News will provide content on horse racing to the Group on the internet. The Group did not incur any expenses in respect of this agreement for the year.

On 23rd February, 2000, the Group entered into an agreement with Mr. Chan Kong Sang, Jackie, a non-executive director. Pursuant to the agreement, Mr. Chan grants to the Group the rights to use, operate and manage Mr. Chan's official website and to use certain promotional materials.

During the year, the Group also entered into website contracts with Mr. Tam Wing Lun, Alan and Mr. Chan Pak Cheung, Natalis, both executive directors. Under these contracts, the Group would set up official websites for Mr. Tam and Mr. Chan, who agreed to participate in the activities conducted for their official websites.

On 17th March, 2000, the Group entered into an agreement with Bob whereby Bob granted to the Group the exclusive licence to distribute, exploit and exhibit specified films owned by Bob on the internet or any other media of a similar nature for a term of three years at a consideration of not less than HK\$9,000,000.

Subsequent to 31st March, 2000, the Group also entered into certain agreements or contracts with related parties as set out in note 22.

15. RECONCILIATION OF NET LOSS FOR THE YEAR/PERIOD TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
Net loss for the year/period	(79,815)	(197)
Amortisation of intangible assets	125	-
Depreciation	3,995	-
Interest expense	56	-
Interest income	(1,063)	-
Finance lease charges	107	-
Increase in accounts receivable	(3,142)	-
Increase in prepaid expenses and other current assets	(10,170)	-
Increase in receivables from related parties	(5,385)	(1)
Increase in accounts payables	26,370	-
Increase in other liabilities and accrued expenses	3,425	32
Increase in payables to related parties	18,795	165
Net cash outflow from operating activities	(46,702)	(1)

16. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	Share capital HK\$'000	Share premium HK\$'000	Obligations under finance leases HK\$'000
At 18th February, 1999	-	-	-
Issue of new shares	1	-	-
At 31st March, 1999	1	-	-
Issue of new shares	1	165,448	-
Issue expense	-	(13,535)	-
Bonus issue	6	(6)	-
Inception of finance leases	-	-	2,216
Repayment during the year	-	-	(604)
At 31st March, 2000	8	151,907	1,612

17. MAJOR NON CASH TRANSACTIONS

During the year, HK\$10,161,000 of the proceeds from issue of new shares was netted off with the payables to certain shareholders.

The intangible assets of HK\$9,000,000 acquired during the year had not been paid at 31st March, 2000.

18. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2000, the major components of unrecognised deferred tax asset (liability) are as follows:

	2000 HK\$'000	1999 HK\$'000
Tax effect of timing difference attributable to:		
Taxation losses available to set off future profits	11,238	32
Excess of tax allowances over depreciation	(3,078)	-
	8,160	32

18. UNRECOGNISED DEFERRED TAXATION (Continued)

The amounts of unrecognised deferred tax credit (charge) for the year/period are as follows:

	1.4.1999 to 3.31.2000 HK\$'000	18.2.1999 to 31.3.1999 HK\$'000
Tax effect of timing difference attributable to:		
Taxation losses	11,206	32
Excess of tax allowances over depreciation	(3,078)	-
	8,128	32

A deferred tax asset has not been recognised in the proforma financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

19. OPERATING LEASES COMMITMENTS

As at 31st March, 2000, the Group had outstanding annual commitments payable in the following year under non-cancellable operating leases as follows:

	Office premises HK\$'000	Internet leased lines HK\$'000
Operating leases which expire:		
Within one year	499	1,370
In the second to fifth year inclusive	5,811	-
	6,310	1,370

20. CAPITAL COMMITMENTS

At 31st March, 2000, the Group had commitments of approximately HK\$24,358,000 relating to the acquisition of computer software and equipment contracted for but not provided for in the proforma financial statements.

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the companies comprising the Group as at 31st March, 2000, on the assumption that the Group Reorganisation had been effective as of that date, are as follows:

Name of company	Place and incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group %	Principal activities
Harvest Star Limited	Hong Kong	Ordinary shares HK\$2	100	Holding of a domain name
Hottest Choice Limited	British Virgin Islands	Shares US\$100	100	Investment holding
LEONSTAREASTnet.com Limited (formerly known as Charm Union Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of website development services
Lightening Investment Limited	British Virgin Islands	Shares US\$100	100	Leasing of premises in Hong Kong
Star East Information Technology Corporation	Canada	1 Common share with no par value	100	Investment holding
Star East IT Management Limited (formerly known as Glory Way Management Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of management services
Star East IT Production Limited (formerly known as Top First Technologies Limited)	Hong Kong	Ordinary shares HK\$2	100	Production of website contents

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group %	Principal activities
Star East Multimedia Limited	Canada	100 Common shares with no par value	100	Provision of media agency services and operation of websites
Star East Multimedia Limited (formerly known as Excellent Super Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of media agency services and operation of websites
Star East On-Line Limited (formerly known as Profit Fund Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of website development services for artistes
Star East Web Stars Limited (formerly known as Good Graphics Limited)	British Virgin Islands	Shares US\$100	100	Investment holding
Star East Website Limited (formerly known as Continental Link Limited)	Hong Kong	Ordinary shares HK\$2	100	Holding of websites and holding of domain names
STAREASTnet (BVI) Limited (formerly known as Star East Information Technology Corp.)	British Virgin Islands	Shares US\$1,000	100	Investment holding
Stareastnet Holdings Pte Ltd	Singapore	Shares SGD2	100	Investment holding
STAREASTnet Limited (formerly known as Jumbo Strong Limited)	Hong Kong	Ordinary shares HK\$2	100	Inactive

21. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place and incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Group %	Principal activities
Stareastnet Management Pte Ltd	Singapore	Shares SGD2	100	Provision of corporate management services
Stareastnet Multimedia Pte Ltd	Singapore	Shares SGD2	100	Provision of media agency services and operation of websites
STAREASTnet (Hong Kong) Limited (formerly known as STAREASTnet.com Corporation Limited and Earth Star Limited)	Hong Kong	Ordinary shares HK\$2	100	Inactive
STAREASTnet.com Limited (formerly known as Ever Great Limited)	Hong Kong	Ordinary shares HK\$2	100	Inactive
STAREASTnet.com Management Limited (formerly known as Super Oriental Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of corporate management services
STAREASTnet.com Services Limited (formerly known as Cheer Global Limited)	Hong Kong	Ordinary shares HK\$2	100	Provision of secretarial services
Sarnet Technology Limited	British Virgin Islands	Shares US\$100	100	Investment holding

22. POST BALANCE SHEET EVENTS

- (a) On 1st April, 2000, the Group entered into an agreement to purchase the entire issued share capital of and the shareholders' loans to Real Pleasure Limited at a consideration of approximately HK\$7,688,000. SEH and Hanny have 50% and 30% beneficial interests, respectively, in this company.
- (b) In April and May of 2000, certain shareholders of the Company advanced an aggregate amount of HK\$61.5 million to the Group. The loans are unsecured, bear interest at the best lending rate in Hong Kong dollars plus 2% and are for a term of three years from 1st May, 2000.
- (c) On 18th May, 2000, the Group completed a group reorganisation in preparation for the listing of shares of the Company on the Growth Enterprise Market of the Stock Exchange.
- (d) The Group entered into an agreement with a wholly-owned subsidiary of SEH on 17th May, 2000 whereby SEH granted to the Group rights to use certain trademarks.
- (e) The Group entered into an agreement with a subsidiary of Hanny on 19th May, 2000 for a term of three years, under which Hanny agreed to provide the Group with technical consulting services including the production of websites, content development, web-page design, computer software development and the installation of computer software for a consideration of not more than HK\$11 million.
- (f) On 19th May, 2000, the Group entered into an agreement with a wholly-owned subsidiary of SEH, under which the Group would provide advertising services on its network to SEH at an annual consideration of not more than HK\$5 million.
- (g) On 19th May, 2000, the Group entered into an agreement with Bob for a term of three years, under which the Group would provide sponsorship to Bob for its productions at an annual consideration of not more than HK\$10 million. In return, Bob will arrange for the artistes performing in the relevant films or television programmes to participate in the Group's programmes on the internet.

	18.2.1999 to 31.3.1999 HK\$'000	1.4.1999 to 31.3.2000 HK\$'000
TURNOVER	-	10,375
COST OF SALES	-	(23,505)
GROSS LOSS	-	(13,130)
ADVERTISING AND PROMOTION EXPENSES	-	(20,073)
ADMINISTRATIVE EXPENSES	(197)	(47,742)
LOSS FROM OPERATIONS	(197)	(80,945)
INTEREST INCOME	-	1,063
INTEREST EXPENSE AND FINANCE LEASE CHARGES	-	(163)
EXCHANGE GAIN	-	230
NET LOSS FOR THE YEAR / PERIOD	(197)	(79,815)

Notes:

1. The results for the period from 18th February, 1999 to 31st March, 1999 and 1st April, 1999 to 31st March, 2000 have been prepared on a pro forma combined basis as if the group structure immediately after the Group Reorganisation had been in existence since 18th February, 1999.
2. The Company was incorporated in the Cayman Islands on 31st January, 2000. Accordingly, the only balance sheet for the Group that has been prepared is those set out on page 34.

An analysis of the Group's pro forma combined turnover and contribution to net loss for the year ended 31st March, 2000 by principal activity and geographical region is as follows:

	Turnover <i>HK\$'000</i>	Loss from operations <i>HK\$'000</i>
Activities		
Advertising revenues	7,079	(12,386)
Sales of goods, net of discounts and allowances	3,296	(744)
	10,375	(13,130)
Less: Advertising and promotion expenses		(20,073)
Administrative expenses		(47,742)
Loss from operations		(80,945)
Add: Net interest income and exchange gain		1,130
Net loss for the year		(79,815)

Geographical region:

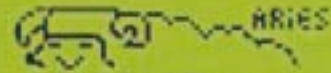
Hong Kong Special Administrative Region		
of the People's Republic of China	10,375	(72,107)
Singapore	-	(5,663)
Taiwan	-	(2,877)
Others	-	(298)
	10,375	(80,945)
Add: Net interest income and exchange gain		1,130
Net loss for the year		(79,815)

Adapting Content for Emerging Technologies



--- STAREASTnet.com ---

Air Supply mini-concert
will be held at Star East
Entertainment Complex
Tonite 9:30!



--- STAREASTnet.com ---

Creative opportunities
abound, but you must
handle the situation
with kid gloves.

WAP Content Provision

Unique Assets



Family of Celebrities

Entertainment Marketing

The screenshot shows the StarEast website interface. At the top, there are navigation links for 'File', 'Contact us', 'Advertising', 'Star-road', 'Member', 'Secret team', 'FAQ', and 'StarEast blog'. The main banner area includes '最強歌曲', '最強總選', '最強電視節目', and '最強漫畫'. Below this, there's a navigation bar with categories like 'Video Channel', '娛樂通話', '電視', '電影', '明星台', '美眉男女', '日劇', '明星', '音樂', '流行榜', '星座', '潮流', '體育', and '馬聖'. The main content area is split into two sections: 'Artists Interview' on the left, featuring a video player for an interview with a man, and a Philips advertisement on the right. The Philips ad promotes the 'Philishave' series with the tagline 'PHILIPPS 6MM QUADRA ACTION' and shows two electric shavers.

This screenshot shows another section of the StarEast website. The top navigation bar is similar to the previous one. The main banner area features a large advertisement for 'Joycam' by Polaroid. The ad includes the text '寶麗來 Joycam 千種“型”人大搜查' and '產品資料'. It shows a silver Joycam camera and a group of people at a promotional event. The Polaroid logo is also visible.

This is a full-page advertisement for the EPSON STYLUS PHOTO 870 printer. The background is a vibrant orange and red. At the top, the text reads 'EPSON STYLUS™ PHOTO 870' and 'HELLO CyberBand 創意空間 色彩無限'. The ad is divided into several sections: 'Kelly Print Sample' showing various printed photos, 'Cyber Band 誕生過程全圖解' featuring a cartoon character, 'Kelly & Cyber Band Wallpaper 日日期生伴' showing a calendar, and '送你最新 EPSON PRINTER 不容錯過' with an image of the printer. The overall theme is about the creative possibilities of the printer.

On-line Marketing of Consumer Products

E-Commerce

「好片送上門服務」, 猛片即日起, 駁乜出街買!

Movie.STAREASTnet.com

home sitemap sign in

SEARCH

BROWSE SELL SERVICES HELP COMMUNITY

Member Login

Login Name

Password

Remember my Password

Login

Forgot your Login Name or Password?

NEW USER

Free

Join us now!

paid attention today

\$10 ONLY 6:00pm

MY AUCTION GALLERY

NEARLY CLOSED AUCTION

- Automobiles
- Antiques & Art
- Books, Movies, Music
- Coin & Stamps
- Collectibles
- Computers
- Dolls, Doll Houses
- Great Collections
- Jewelry, Gemstones
- Photo & E-Electronics
- Pottery & Glass
- Sports
- Everything Else

AUCTION STAREASTnet.com 拍賣場

即將火速登場!

Movie.STAREASTnet.com

東方魅力盡顯光芒

會員登入

優惠特區

商品	導演	演員	存貨	售價
轟轟特工(粵語版) A BUNCH OF UNUSUAL CIRCUMSTANCES (DUBBING)	查克石達		3	HK\$ 100.00
二見鍾情 SAUSALITO	胡漢強	張曼玉, 黎明, 吳耀漢	1	HK\$ 60.00

Movie.STAREASTnet.com

「好片送上門服務」, 猛片即日起, 駁乜出街買!

Movie.STAREASTnet.com!

歡迎您到訪

新到國語

新到粵語

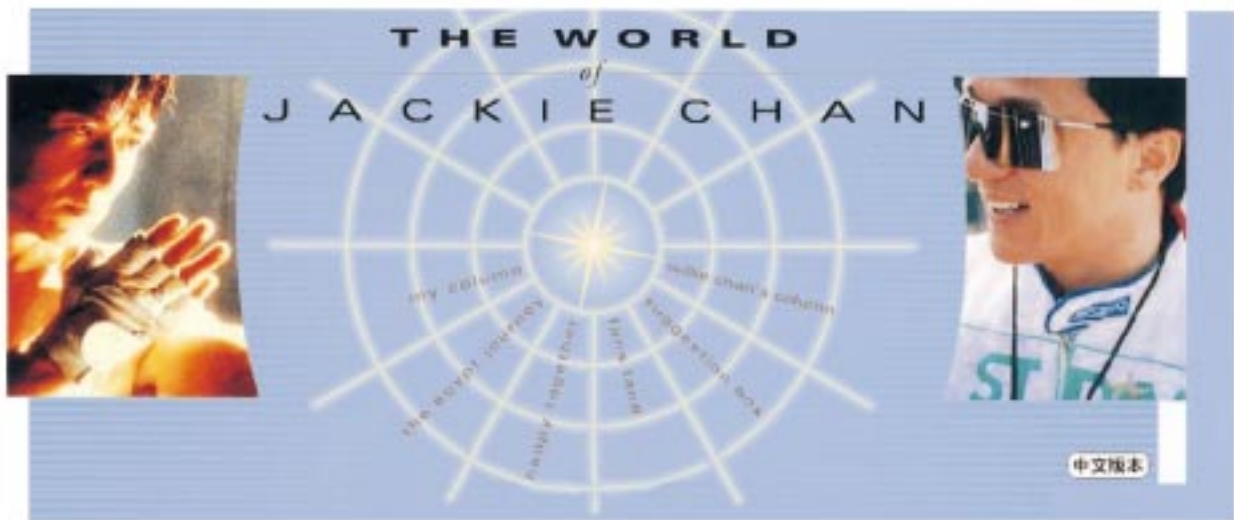
新片預告

優惠特區

新到國語	新到粵語
新戀愛世紀 監製: 王晶 導演: 王晶 演員: 黎明, 劉嘉玲, 舒淇 售價: HK\$ 格式: VCD	龍在邊緣 監製: 王晶 導演: 葉德嫻 演員: 劉德華, 古天樂 售價: HK\$ 格式: VCD
龍虎風雲小子 監製: 李修賢 導演: 李修賢, 劉國昌 售價: HK\$ 格式: VCD	超級英雄王 監製: 王晶 導演: 李修賢 演員: 關禮傑, 李國煌 售價: HK\$ 格式: VCD

E-tail and E-auction

Celebrity Official Websites



Multimedia Content

The screenshot shows the starEastNet.com website. At the top, there are navigation links for STAR CHAT, WEDDING ZEN, MEMBER, and STAR MAIL. The main header features the starEastNet.com logo and the text '網上最強 Video 頻道'. Below the header, there are navigation tabs for Video Channel, 娛樂資訊, 電視, 電影, 明星台, 美圖男女, 日劇, 明星, 音樂, 流行榜, 星座, 潮流, 體育, and 馬聖. The main content area is titled '預告片段 at Sausalito' and features a video player showing a scene from the movie. To the right of the video player, there is a section titled '何謂 Sausalito' with a paragraph of text describing the location. On the left side, there is a list of related content items such as '一見鍾情的誕生', '鍾情獨白', '預告片段 at Sausalito', '華明歌鍾情', '奇妙一見鍾情', '一見鍾情原身配', '鍾情下的明亮星光', '一見鍾情的勝祿', and '鍾情的屏幕保護'.

The screenshot shows the starEastNet.com website with a prominent promotional banner for 'WebJ'. The banner features the 'WebJ' logo in large, stylized letters. Below the logo, there are two buttons: '按鍵進入直播室' and '直播室重溫'. To the right of the buttons, there is text that reads 'Stareast WebJ 李志剛·梁奕倫 逢星期一至五晚 9:30pm - 10:30pm 向全世界論盡至HOT娛樂新聞'. The banner also includes a small image of two people. On the left side of the banner, there is a vertical list of navigation links: '星大大家', '超級遊戲王', '星生劇場', '香港情動天地', 'HO記三合會檔案', '千王之王2000', '新聞狗仔記', and '每天爱你八小時'. The website header and navigation tabs are also visible.

Movie Official Website

Video Channel

The screenshot shows a digital comic book page with multiple panels. The panels contain illustrations of characters and their dialogue. The characters are drawn in a traditional comic book style. The dialogue is presented in speech bubbles. The page is part of a larger digital comic book collection, as indicated by the 'MAX' logo in the bottom left corner.

The screenshot shows a video player interface. At the top, there is a blue header with the text 'starEastNet Video Channel'. Below the header, there is a video player showing a scene from a movie. The video player has a standard playback control bar at the bottom, including a play button, a progress bar, and a volume icon. The text '正在播放 00:46 / 01:46' is displayed at the bottom of the video player.

E-comics

Community Content



Chat Rooms



Message Board



Star Search



Match Making Service

stareastnet Production

The screenshot shows the main interface of the stareastnet website on the left and a list of programs in a browser window on the right.

Website Interface:

- Buttons: STAR CHAT, WEBMASTER, MEMBER, STAR-MAIL
- Navigation: 主頁, Video Channel, 娛樂追蹤, 電視, 電影, 明星
- Search: 你想點稱呼: [input field] 確認
- Web 3.0: 片段重溫, 收看明星台, 重溫
- Table:

	SUN	
21:00	貝小夏上床 傅小惠 神秘嘉賓	Web 3.0 Ling
21:30		笑看 新5
23:00	歐洲亞波神 Chatroom 曾志偉 蔡寶瑜 尹志強 明星足球隊	

Browser Window (Microsoft Internet Explorer):

明星台重溫 - Microsoft Internet Explorer

- 4-2-2000 譚詠麟魅力千禧演唱會第一卷 (年廿九)
- 3-2-2000 星座相對論 主持: 張耀程 嘉賓: 洪天明, 徐子淇
- 2-2-2000 鄭文珣潮流超百科 主持: 鄭文珣 嘉賓: 施念慈, 鍾麗琪
- 1-2-2000 張學基音樂嘉樂 主持: 張學基, 張學港 嘉賓: 鄧禮明
- 31-1-2000 關西娛樂場 主持: 關西 嘉賓: 楊小惠
- 30-1-2000 朝星特別場 主持: 鄧萃英 嘉賓: 王偉
- 29-1-2000 朝星特別場 主持: 鄧萃英 嘉賓: 吳若華
- 28-1-2000 天明歌路 主持: 洪天明 嘉賓: 曹永廉, 劉永健
- 26-1-2000 朝星台特集 - 年小孩 主持: 林建明 嘉賓: 葉德嫻
- 26-1-2000 文珣潮流超百科 主持: 鄭文珣 嘉賓: 曹永廉, 何韻詩, 洪天明
- 25-1-2000 英國歌音樂之星: 英國歌
- 24-1-2000 關西娛樂場 主持: 關西 嘉賓: 梁詠琪
- 23-1-2000 朝星特別場 主持: 鄧萃英 嘉賓: 志達哥
- 23-1-2000 極速之聲記者會
- 22-1-2000 朝星特別場 主持: 鄧萃英 嘉賓: 黃秋生
- 21-1-2000 天明歌路 主持: 洪天明 嘉賓: 謝天華
- 20-1-2000 星座相對論 主持: 張耀程, 林曉峰
- 19-1-2000 朝星特別場 主持: 關西 嘉賓: 陳慧琳

想睇節目
隨心所欲

正在播放 06:55 / 06:42

想睇節目
隨心所欲

正在播放 05:25 / 05:42

stareastnet.com 網上最強 Video 精選

正在播放 00:57 / 01:41

Live Chat

stareastnet.com 網上最強 Video 精選

stareastnet

正在播放 06:25 / 06:42

stareastnet

Video Channel

stareastnet 2000

正在播放 00:46 / 01:46

stareastnet.com 網上最強 Video 精選

正在播放 00:57 / 01:41