

The image is a composite. The top half shows a starry night sky with a prominent constellation. The bottom half shows a woman standing on the roof of a silver car on a dirt road in a rural landscape under a blue sky with white clouds. The woman is wearing a denim jacket and a patterned skirt. The car is a sedan, and the driver's side window is visible. The overall theme is a blend of technology (stars) and nature (landscape).

starEastNet

STAREASTnet.com Corporation
(Incorporated in the Cayman Islands with limited liability)

Quarterly Report

For the first quarter ended 30th June, 2000

www.stareastnet.com

CHAIRMAN'S STATEMENT

I have pleasure to present to shareholders the first quarterly unaudited results for the period from 1st April, 2000 to 30th June, 2000 of STAREASTnet.com Corporation (the "Company" or "STAREASTnet.com") and its subsidiaries (together, the "Group").

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. 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 pre-eminent vertically-integrated internet content provider for entertainment and life-style information for Chinese language users worldwide. Its main portal, www.stareastnet.com, provides an interactive multimedia internet channel for the global Chinese community to the world of Asian entertainment and life-style information. The website offers over 120 celebrity official websites, multimedia features such as exclusive video and audio content, films, music videos, community features such as polls, "real time" e-mail exchanges with celebrities, a "Star Search" search engine, daily interest features such as entertainment news, life-style and leisure features, WAP and mobile content and e-commerce, etc. The celebrity official websites, multimedia features, daily interest features, life-style 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 effectively targeted for marketing campaigns and e-commerce opportunities.

On 1st June, 2000 the Company successfully listed its shares on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The over-allotment option granted to the underwriters under the initial public offering was fully exercised on 13th June, 2000. This demonstrated investors’ confidence in the Group’s success and high growth potential. It is also encouraging that STAREASTnet.com was awarded the Hong Kong eAward Design and Innovation Award presented by the Hong Kong and Productivity Council in April 2000.

FINANCIAL REVIEW

2 During the first quarter ended 30th June, 2000, the Group achieved a turnover of approximately HK\$8,384,000, whereas no turnover was recognised during the first quarter ended 30th June, 1999. As the Group was in the early stage of investment and development, a net loss of approximately HK\$60,231,000 was recorded for the first quarter ended 30th June, 2000. The Group’s net loss for the first quarter ended 30th June, 1999 was approximately HK\$6,708,000. The loss for the quarter ended 30th June, 2000 arose from the substantial spending on branding, development of a new celebrity official website and e-commerce platforms which were launched during the period under review, marketing and promotions for the related launching activities, and for full operations of the Group’s regional offices and websites in Singapore and Taiwan. The Singapore-specific website, sg.stareastnet.com was launched in January 2000 and the Taiwan-specific website was launched in March 2000.

As a result of the initial public offering (including the full exercise of the over-allotment option by the underwriters on 13th June, 2000), the Company raised net proceeds of approximately HK\$198 million. The Group intends to use these proceeds in entertainment-related content development, capital expenditure for technology, promotion and marketing activities, strategic investments and development of

e-commerce business, as described in pages 116 and 117 of the prospectus issued by the Company dated 23rd May, 2000 (the "Prospectus"). The Group used approximately HK\$37 million of the proceeds to achieve its business objectives for the period between 1st June, 2000 (date of listing of the Company) and 30th June, 2000. The balance of the proceeds has been placed on short term, interest bearing deposits with financial institutions in Hong Kong. The cash and bank balance of the Group as at 30th June, 2000 amounted to approximately HK\$162 million. The board of directors of the Company believes that the Company has sufficient funds to satisfy the future business objectives as set out in the Prospectus.

OPERATIONS REVIEW

Despite significant competition, the Group managed to achieve satisfactory growth in both average daily page views and registered users. Average daily page views of STAREASTnet.com's websites increased from approximately 800,000 during March 2000 to over 1 million in June 2000, with the highest exceeded 1.5 million during the first quarter ended 30th June, 2000. The Group had over 180,000 registered users as at 30th June, 2000 as compared to 119,000 registered users by the end of March 2000. The Group's revenue from banner advertisements and sponsorship was well in a growing path, and its income base was broadened following the launch of a new artiste official website and e-commerce website which has started to generate a steady flow of income for the Group.

The overall business objective of the Group is to provide innovative, trend-setting, attractive and exclusive content, products and services to redefine leisure activities and personal enjoyment on a global scale by harnessing the unique international power, prestige and creativity of Asia's entertainment elite. In light of the corporate mission, the Group has the following business objectives for the period ended 30th

September, 2000 (as detailed in the Prospectus), with the actual business progress achieved in the first quarter ended 30th June, 2000 set out next thereto for comparison:

**Business objectives as disclosed
in the Prospectus**

Actual business progress as at 30th June, 2000

Content Development

- Enhance existing content for celebrity websites and making content more interactive.

The Group continued to allocate significant resources in content enhancement as evidenced by the introduction of self developed 3D animated comic story utilizing Cult-3DTM technology for special effects featured at www.leonstareastnet.com. Viewers are able to become main characters at e-comics by sending in their personal photographs for casting.

- Launch new exclusive programmes hosted by celebrities and channels dedicated to modern women, hobbies and special interest features.

A new health and dancercise programme hosted by famous movie actress, Anita Lee Yuen Wah was launched in June 2000.

- Provide links to information on other major Asian cities

Being actively pursued.

- Develop and launch pervasive computing services such as chatrooms, messaging, superstars' secretary services, news, weather and life-style information.

As announced in May 2000, Orange and STAREASTnet.com unveiled exclusive "Star East on WAP", an exclusive membership club for Orange WAP users to enjoy exclusive privileges. The strategic partnership with Orange also enables WAP users to access STAREASTnet.com for the most comprehensive infotainment news and services in real time. It is expected that the "Star East on WAP" club will be launched in the next quarter.

- Contract with at least 5 additional artistes (in Hong Kong and overseas) to increase content depth and scope.

5 additional artistes in Hong Kong, Taiwan and Singapore had signed contracts with the Group, including famous actress, Anita Lee Yuen Wah and young pop star, Stephen Fung Tak Lun.

- Launch at least one mega-site featuring one of the Group's contracted celebrities.

The Group launched the official Leon Lai website, www.leonstareastnet.com on 29th April, 2000. The website features exclusive events such as a celebrity profile, a fan club, videos featuring Leon Lai, e-comics, a leisure and life-style section and online games, etc. The Group's spending in developing this website, including Web WAP Shop but excluding marketing and promotion for the launch, amounted to about HK\$11 million.

E-commerce Development

- Launch an online shopping mall on the www.stareastnet.com portal, including the sales of entertainment-related goods, such as VCDs, CDs, DVDs and posters.

Second stage of the Group's e-commerce platform, e-mall was kicked off with the launch of movie.stareastnet.com in May 2000 which sells DVDs and VCDs online. The Group contracted with Federal Express Pacific, Inc. to obtain logistical support, including warehousing and delivery of goods which enables the website to offer same day delivery and order tracking service.

- Launch celebrity auction sales and merchandise sales for the Group's contracted celebrities to sell their products, services and memorabilia.

Web WAP Shop, an e-commerce platform featured by www.leonstareastnet.com, was successfully launched in June 2000 and is expected to generate revenue based on the sale of WAP phones.

E-auction, a celebrity auction site of the Group, was launched recently on a trial run basis and official launch is expected in the next quarter.

Technological Development

- Implement pervasive computing technology for content hosting and e-commerce.
- Acquire/enhance e-commerce platforms for auctions, event ticketing and merchandise sales.

The Group was in command of its content hosting and e-commerce technology and was well positioned to implement m-auction and m-commerce so as to take advantage of the telecommunication evolution of WAP.

The Group possessed full capability in launching its e-commerce platform for auctions and merchandise sales.

- Implement advertisement serving, customer relations management and bank clearing and security technologies.

Recently, the Group implemented advertising service through engaging Ad-Force. Furthermore, the Group had set up its own bank clearing and security system. Evaluation of a CRM system for implementation by September 2000 was in progress.

Strategic Development

- Seek to form strategic alliance with other entertainment content providers and production houses to broaden the range of services available to the Group's contracted celebrities and products available on the Group's network.

Being actively pursued.

- Develop alliances with companies that can help distribute the Group's products and enable users to access www.stareastnet.com more readily.

Being actively pursued in form of hyperlinks formed with other websites which facilitated the distribution of the Group's products and users' access to the Group's portals.

- Enter into strategic alliances based on existing Memorandum of Understanding with Hutchison Telecommunication (Hong Kong) Limited and Peoples Telephone Company Limited for distribution of mobile content via WAP technology. Being actively pursued.

Overseas Expansion

- Launch a mainland PRC-focused website in Hong Kong or the PRC. Development of a PRC-specific website (with added local content) is in progress and its official launch is expected at the end of year 2000, subject to the grant of permission by the PRC authority.
- Produce and/or source exclusive localised content and services and translate content from the Group's Hong Kong, Singapore and Taiwan sites into English. In the process of establishing a business model which enables the Group's branch office in Canada to produce or source translation services for translating content of the Group's portals into Japanese and English in order to adapt content for local viewers.

- Increase the number of local celebrities contracted in Singapore and Taiwan and seek joint venture partners to assist the Group in recruiting local celebrities. The Group contracted with 2 additional local celebrities in Singapore and Taiwan. Several joint venture partners in Korea and Japan were identified by the Group and negotiations for co-operation were underway.
- Prepare for the development of a regional site in North America. Planning in progress.
- Set up and/or develop local offices in Singapore, Taiwan and North America for sales and marketing and content production. Being actively pursued.
- Expect to start generating advertising and/or content sales revenue from regional and mirror websites. Negotiations with regional TV broadcasting companies in respect of the provision of content by the Group were in progress.

Marketing and Promotion

- Implement a targeted marketing programme. A series of corporate identity and brand building marketing programmes specifically tailored for promotion of the initial public offering of the Group were successfully implemented. These included various road shows and promotions held at eye-catching venues such as shopping malls and sponsorship provided for the production and promotion of the movie "Sausalito" which was produced by Star East Holdings Limited. The Group's corporate identity and brand awareness were further strengthened through its creatively designed IPO marketing campaign "Dreams Come True, StarEastNet" launched in May 2000, which comprised of a TV commercial and a series of print advertisements.
- Develop the customer service division to provide support for e-commerce transactions. The customer service division was further strengthened with stronger logistics support and efficient telephone hotline to enhance customer care.

- Conduct marketing activities, including print, television and radio advertising and launch parties for the launch of new websites.

Successful marketing campaigns were undertaken for the launch of www.leonstareastnet.com, which included intensive television, radio and print advertisements, online and offline marketing promotions and an official launch ceremony telecast live over the Group's portal network.

Print advertisements, event marketing and public relations were the main marketing vehicles for the launch of movie.stareastnet.com.

The Group's spending on marketing and promotions for the launch of new websites amounted to HK\$20 million.

- Sell content produced by the Group to third parties.

The Group initiated preliminary negotiations with various pay TV broadcasting companies with the intention of selling to these companies the content produced by the Group.

The Group initiated preliminary negotiations with Web TV operator, NOW in respect of provision of its content for distribution by NOW.

FUTURE PLANS AND DEVELOPMENTS

STAREASTnet.com's objective is to become the premier entertainment and life-style internet content provider for the worldwide Chinese community. In order to achieve its goal and capture the abundant opportunities lying ahead, 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. Furthermore, the Group will continue to actively recruit celebrities, enhance its existing content with new features such as a soon to be launched cooking series starring Sit Ka Yin, and launch new mega-sites featuring famous celebrities such as international superstar, Jackie Chan, Hong Kong female pop singer, Kelly Chen and memorable female singer, Teresa Tang Lai Jun.

The Group will continue to develop and produce its entertainment-related content with a view to maximizing revenue. This can be achieved through the allocation of resources towards production of revenue generating content, provision of exclusive multimedia features for content sales and evolution from showbiz to e-biz by capitalising on the synergies between entertainment content and e-commerce. It is the Group's strategy to capture as much as possible 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 content and advertising campaign with its celebrities to promote the advertisers' image on the internet. In order to capitalise the tremendous market potential with the emerging internet broadband and WAP technology, the Group will, through strategic alliances, continue to adapt content for emerging technologies to make it more accessible to users. In line with this direction, the Group is in the process of launching m-commerce and m-auction services soon.

Broadcasting business in Hong Kong is experiencing a booming expansion from the recent grant of a new batch of pay TV broadcasting licences. The directors believe that competitive multimedia content and services are well in demand in both traditional and emerging channels, and such expansion will likely create an exploding market for content. Looking forward, the Group will continue to actively seek opportunities in the provision of content to broadcasting channels so as to increase brand awareness and generate content sales revenue for the Group.

14 The Asia Pacific internet market is a high growth market which evolves rapidly, and it is of great strategic importance for the Group to sustain competitive operating costs. The management shall continue to dedicate their efforts to increasing operating efficiencies and economies of scale, and containing operating costs through streamlining human resources and rationalising production resources. With a view to achieving a leading position as well as increasing its market share in the growing market in the Asia-Pacific region, the Group will continue to invest in marketing, brand development and content production with a cost effective approach. The directors anticipate that the Group's new websites, e-commerce businesses and WAP content sales will start to generate more revenues, and thus enable it to achieve better results in the foreseeable future.

Tam Wing Lun, Alan

Chairman

Hong Kong, 8th August, 2000

FIRST QUARTERLY RESULTS FOR THE QUARTER ENDED 30TH JUNE, 2000

The unaudited consolidated results of the Group for the first quarter ended 30th June, 2000, together with the comparative unaudited figures for the corresponding period in 1999, are as follows:

	Notes	Three months ended 30th June	
		2000 HK\$'000	1999 HK\$'000
Turnover	2	8,384	–
Cost of sales		<u>(17,898)</u>	<u>–</u>
Gross loss		(9,514)	–
Advertising and promotion expenses		(21,643)	–
Administrative expenses		<u>(28,135)</u>	<u>(6,705)</u>
Loss from operations		(59,292)	(6,705)
Interest income		590	–
Interest expense and finance lease charges		<u>(1,529)</u>	<u>(3)</u>
Net loss for the quarters		<u><u>(60,231)</u></u>	<u><u>(6,708)</u></u>
Loss per share (cents) – basic	4	<u><u>(6.727)</u></u>	<u><u>(0.808)</u></u>

Notes:

1. Group reorganisation and basis of preparation

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 GEM, the Company became the holding company of the Group formed after the completion of the Group Reorganisation on 18th May, 2000.

The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the consolidated results of the Group for the quarter ended 30th June, 2000 have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group. The results of the Group for the quarter ended 30th June, 1999 has been prepared as if the Group Reorganisation had been effected from the beginning of the reporting quarter period. 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 shares of the Company were listed on GEM of the Stock Exchange on 1st June, 2000.

2. Turnover

	Three months ended 30th June	
	2000	1999
	HK\$'000	HK\$'000
Advertising revenues	5,812	-
Sales of goods, net of discounts and allowances	2,572	-
	<hr/>	<hr/>
Total	8,384	-

3. Taxation

No provision for Hong Kong profits tax has been made as the Group incurred a tax loss for the quarters ended 30th June, 2000 and 30th June, 1999.

No deferred tax asset has been recognised in the unaudited financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilized in the foreseeable future.

4. Loss per share

The calculation of the basic loss per share for the first quarter ended 30th June, 2000 is based on the loss of HK\$60,231,000 and on the weighted average number of 895,413,044 shares in issue during the first quarter ended 30th June, 2000.

The calculation of the basic loss per share for the quarter ended 30th June, 1999 is based on the loss of HK\$6,708,000 and on 830,000,000 shares in issue on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 530,000,000 shares of the Company had been effective during the quarter ended 30th June, 1999.

No diluted loss per share has been presented for the first quarters ended 30th June, 1999 and 2000 as there was no diluting event in existence during such periods.

5. Interim dividend

The board of directors does not recommend the payment of an interim dividend for the first quarter ended 30th June, 2000 (first quarter ended 30th June, 1999: Nil).

DIRECTORS' INTEREST IN SHARES

As at 30th June, 2000, the interests of the directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock

Exchange of Hong Kong Limited (the “GEM Listing Rules”), to be notified to the Company and the Stock Exchange were as follows:

Name of director	Name of company	No. of shares			
		Personal interests	Family interests	Corporate interests	Other interests
Tam Wing Lun, Alan	STAREASTnet.com Corporation	-	-	87,150,000	-
Chan Pak Cheung, Natalis	STAREASTnet.com Corporation	-	-	87,150,000	-

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

Save as disclosed above, as at 30th 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, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and Stock Exchange.

OUTSTANDING SHARE OPTIONS

On 15th May, 2000, the Company adopted two share option schemes, namely the Employee Share Option Scheme and the Pre-IPO Share Option Scheme.

Employee Share Option Scheme

During the period from 1st April, 2000 to 30th June, 2000, no option was granted by the Company under the Employee Share Option Scheme. As at 30th June, 2000, no option pursuant to the Employee Share Option Scheme was outstanding.

Pre-IPO Share Option Scheme

As at 30th June, 2000, options comprising a total of 69,100,000 underlying shares were granted to directors of the Group 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 in the section headed "Directors' Rights to Acquire Shares". 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 29,940,000 underlying shares at an exercise price of HK\$1.18 per share to 104 employees and 2 contracted celebrities of the Group other than the directors of the Group. These options are subject to the same limitations on timing of exercise as detailed in the section headed "Directors' Rights to Acquire Shares".

No option pursuant to the Pre-IPO Option Scheme had been exercised, cancelled or lapsed during the first quarter ended 30th June, 2000. Due to the resignations of certain employees, options comprising only an aggregate of 99,040,000 underlying shares were eventually granted and accepted (instead of options comprising an aggregate of 100,000,000 underlying shares conditionally granted as stated in the Prospectus). As at 30th June, 2000, options comprising a total of 99,040,000 underlying shares were outstanding.

A summary of the major terms of each share option scheme is set out at pages 239-245 of the Prospectus.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Scheme as described in the section headed "Outstanding Share Options" above, each director of the Company was granted options to subscribe for the following number of shares in the Company at an exercise price of HK\$1.18 per share:

Name of director	No. of underlying shares comprised in the option
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

The options are exercisable in accordance with the terms of the Pre-IPO Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant 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 the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options 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, its subsidiaries or holding company 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Hanny Holdings Limited ⁽¹⁾	225,760,000	22.01%
Hanny Magnetics (B.V.I.) Limited ⁽²⁾	225,760,000	22.01%
Genius Ideas Limited	225,760,000	22.01%
Star East Holdings Limited ⁽³⁾	367,690,000	35.85%
Star East (B.V.I.) Limited ⁽⁴⁾	367,690,000	35.85%
Star East Information Technology Management Co. Limited	332,000,000	32.37%
Li Tzar Kai, Richard ⁽⁵⁾	332,000,000	32.37%
Pacific Century Group Holdings Limited ⁽⁶⁾	332,000,000	32.37%
Pacific Century International Limited ⁽⁷⁾	332,000,000	32.37%
Pacific Century Group (Cayman Islands) Limited ⁽⁸⁾	332,000,000	32.37%
Anglang Investments Limited ⁽⁹⁾	332,000,000	32.37%
Pacific Century Regional Developments Limited ⁽¹⁰⁾	332,000,000	32.37%
Pacific Century CyberWorks Limited ⁽¹¹⁾	332,000,000	32.37%
Century Power Group Limited ⁽¹²⁾	332,000,000	32.37%
CyberVentures (Bermuda) Limited ⁽¹³⁾	332,000,000	32.37%
CyberWorks Ventures Limited ⁽¹⁴⁾	332,000,000	32.37%
Splendid Stars Group Limited ⁽¹⁵⁾	332,000,000	32.37%
Yasumitsu Shigeta ⁽¹⁶⁾	149,400,000	14.57%
Hikari Power, Limited ⁽¹⁷⁾	149,400,000	14.57%
Hikari Tsushin, Inc.	149,400,000	14.57%

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 Hikari Tsushin, Inc.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10% or more of the Company's issued share capital.

MANAGEMENT SHAREHOLDERS

So far as the directors are aware, as at 30th June, 2000 the following persons were entitled to exercise or control the exercise of five per cent or more of the voting power at general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company:

Name	Number of Shares held	Approximate Percentage of Shareholding
Star East Information Technology Management Co. Limited	332,000,000	32.37%
Hanny Holdings Limited	225,760,000	22.01%
Genius Ideas Limited	225,760,000	22.01%
Star East Holdings Limited	201,690,000	19.68%
Star East (B.V.I.) Limited	201,690,000	19.68%
Pacific Century CyberWorks Limited	166,000,000	16.19%
Splendid Stars Group Limited	166,000,000	16.19%
Hikari Tsushin, Inc.	149,400,000	14.57%
Gold Miracles Limited	87,150,000	8.50%
Tam Wing Lun, Alan	87,150,000	8.50%
Chan Pak Cheung, Natalis	87,150,000	8.50%

SPONSORS' INTERESTS

As updated and notified by the Company's sponsors, BNP Paribas Peregrine Capital Limited and Tai Fook Capital Limited (the "Sponsors"), as at 30th 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 cause or may cause significant competition with the business of the Group.

YEAR 2000 COMPLIANCE

The Group 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 compliance 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 first quarter ended 30th June, 2000.

By Order of the Board

Tam Wing Lun, Alan

Chairman

Hong Kong, 8th August, 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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