

A woman with dark hair, wearing a patterned dress and a denim jacket, stands on the roof of a silver car. The car is parked on a dirt road that stretches into the distance. The sky is a deep blue, filled with numerous bright stars, suggesting a night sky. The overall scene is surreal and evocative.

starEastNet

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

Interim Report

For the six months ended 30th September, 2000

www.stareastnet.com

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.

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This document, for which the directors of STAREASTnet.com Corporation collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to STAREASTnet.com Corporation. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

I have pleasure to present to shareholders the interim results for six months from 1st April, 2000 to 30th September, 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. 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"). With the tremendous support of over 170 contracted Asian celebrities, the Group produced the best selections of exclusive broadband-enabled entertainment and life-style content to Chinese web users worldwide. It is most encouraging that STAREASTnet.com received the "Hong Kong eAward Design and Innovation Award" from Hong Kong Productivity Council in April 2000.

For the three months ended 30th September, 2000, the Group registered a strong growth in turnover as compared to the last quarter, which was mainly attributable to the increase in advertising revenue. With full-scale operations of regional portals being in place and increased brand recognition of STAREASTnet.com, spending in regional portal development and branding decreased substantially, which enabled the Group to sustain competitive operating costs. Promising improvement in operating margins as well as significant decrease in net loss demonstrates that implementation of the Group's strategy of focusing on production of revenue-generating entertainment content whilst increasing operating efficiencies and containing operating costs is well underway.

STAREASTnet.com has achieved satisfactory page view performance with continual growth in number of registered members amidst the cool down of the dotcom hype. This reflects that the brand loyalty of STAREASTnet.com is being well established and popularity of the Group's exclusive multimedia entertainment content with the Chinese community worldwide is growing. Keeping abreast with the ever changing technology, in August the Group has partnered with Softchina Corporation, one of the largest software distributors in the Greater China region, to co-develop and distribute computer and on-line games by utilising the artistic resources of STAREASTnet.com's pool of celebrities. STAREASTnet.com is now set to bring a new generation of on-line entertainment to the cyber game community.

FINANCIAL REVIEW

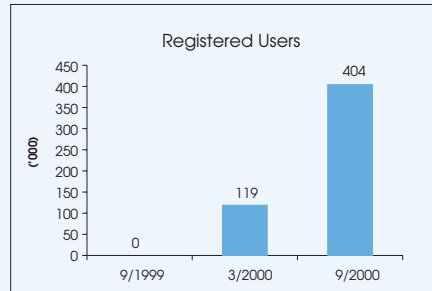
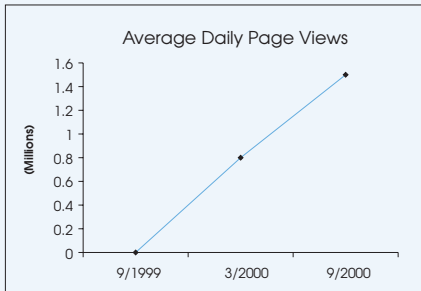
During the six months ended 30th September, 2000, the Group achieved a turnover of approximately HK\$21,527,000, whereas no turnover was recognized during the six months ended 30th September, 1999. As the Group was still in the stage of investment and development, a net loss of approximately HK\$104,053,000 was recorded for the six months ended 30th September, 2000. The net loss for the six months ended 30th September, 1999 was approximately HK\$17,373,000.

Turnover for the second quarter ended 30th September, 2000 has increased by approximately 57% as compared with the first quarter ended 30th June, 2000. The operating margins for the second quarter ended 30th September, 2000 has also improved by approximately 25% as compared with the first quarter ended 30th June, 2000. On the other hand, advertising and promotion expenses and administrative expenses have decreased in the second quarter ended 30th September, 2000 by approximately 46% and 25% respectively as compared with the first quarter ended 30th June, 2000.

The cash and bank balance of the Group as at 30th September, 2000 amounted to approximately HK\$115 million.

OPERATIONS REVIEW

Despite significant competition, the Group managed to achieve satisfactory growth in both average page views and registered users. Average daily page views of STAREASTnet.com's websites increased from approximately 800,000 during March 2000 to over 1.5 million in September 2000, with the highest exceeded 1.9 million during the six months ended 30th September, 2000. The Group had over 404,000 registered users as at 30th September, 2000 as compared to 119,000 registered users by the end of March 2000.



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 of the Company dated 23rd May, 2000 (the "Prospectus")), with the actual business progress achieved in the six months ended 30th September, 2000 set out next thereto for comparison:

Business objectives as disclosed in the Prospectus

Actual business pursuit as of 30th September, 2000

Content Development

- Enhance existing content, with new features, such as increasing the amount of multimedia content (i.e. videos, audio and comics) for celebrity websites and making content more interactive by enabling users to participate in designing artiste websites

New multi-media features such as video, audio and comics were introduced in the launch of leonstareastnet.com. The introduction of 3D chat room has also exemplified the Group's commitment in this area.

Existing content of leonstareastnet.com has been enhanced by the introduction of interactive games such as the Euro Power game and the Olympic game.

Business objectives as disclosed in the Prospectus

- 4
- Launch new exclusive programmes hosted by celebrities, including food reviews, pet centre, movie reviews and channels dedicated to modern women, hobbies and special interest features
 - Provide links to information on other major Asian cities (Singapore and Taipei), such as information on local tourist sites and a food and entertainment directory

Actual business pursuit as of 30th September, 2000

In July, a loyalty program, Star Cash, which rewards users for surfing on the Group's site, was implemented to grow and retain the membership base. Other features include Polling on songs and TV shows and movie stars which enable users to support and rate the artistes and their products on a continual basis through voting. A feature in which users can post their own pictures onto the Group's website was implemented. Webganizer, a web-based calendar, was also implemented.

Anita Lee Yuen Wah, a well-known actress, hosted an exclusive programme for the Group's site featuring modern day diets, health, beauty and other exercise programmes.

An exclusive programme for the Group's site featuring special cooking cuisines and recipes to be hosted by Sit Kar Yin was developed.

The Group has established complete localized contents for its Taiwan and Singapore sites.

Business objectives as disclosed in the Prospectus

- Develop and launch pervasive computing services such as chat rooms, messaging, superstars' secretary services, and news, weather and lifestyle information. This is expected to start generating revenue during this period through membership subscriptions and airtime charges for such services
- Contract with at least 5 additional artistes (in Hong Kong and overseas) to increase content depth and scope
- Launch at least one mega-site featuring one of the Group's contracted celebrities

Actual business pursuit as of 30th September, 2000

"Star East on WAP", an exclusive membership club for Orange WAP users to enjoy exclusive privileges such as the download of audio messages from superstars, was launched in August 2000 and started to generate revenue for the Group through airtime charges.

As of September, 2000, the Group had signed up over 170 artistes, including over 90 artistes in Hong Kong, over 60 artistes in Taiwan and over 15 artistes in Singapore. During the period under review, the Group has signed 3 additional artistes in Hong Kong, namely, Anita Lee Yuen Wah, Stephen Fung Tak Lun and Wang Leehom; as well as 3 additional artistes in Singapore, namely, Faith Yang, Justine Liow and Sheiley Yee.

Leonstareastnet.com was launched in April. Development of the official Jackie Chan website, jackiechan.stareastnet.com, was completed during this period.

The Group has further completed development of the official Teresa Tang website, teresa.stareastnet.com. The website features exclusive events such as a celebrity profile, a fan club, videos featuring Teresa Tang and Teresa Tang's live concerts, etc.

Business objectives as disclosed in the Prospectus

Actual business pursuit as of 30th September, 2000

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

The launch was duly completed in August 2000. Exclusive celebrity endorsed products to be sold online through the Group's platform were developed. This included the Leon Lai/LL collection.

E-auction, including the auctioning of celebrities' items, was launched in July.

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 complete control of its content hosting and e-commerce technology and was well positioned to implement Mobile-auction and Mobile-commerce so as to take advantage of the telecommunication evolution of WAP. The Group developed the system for Orange WAP users to auction through WAP phone on its auction site.

The Group had launched its e-commerce platform for auctions, event ticketing and merchandise sales.

Business objectives as disclosed in the Prospectus

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

Actual business pursuit as of 30th September, 2000

The Group has contracted with AdForce to provide a state of the art Advertisement Management System to better serve its clients' needs. Furthermore, the Group has developed and implemented Customer Relationship Management reporting tools. The Group has also implemented Aeon-spot as an additional payment gateway to provide a secured alternative to the existing credit card/bank clearing method.

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

The Group has formed a strategic alliance with Softchina Corporation, a game software distributor, and will inject celebrity elements into the content of a series of on-line games to be designed. The Group has also maintained continuous dialogue with other entertainment production houses to develop mini-concerts to be hosted by its contracted celebrities to promote sponsors' products and services through its network online and offline.

Being actively pursued. The Group has entered into an alliance with Aeon Credit Service (Asia) Company Limited (Aeonspot) to facilitate the distribution of its products and users' accession to the Group's portals on an ongoing basis. In addition, the Group has formed alliances with other websites such as e-online, 17-play, yahoo.com.tw, pchome.com.tw, sina.com.tw, singnet.com.sg and pacfusion.com, etc. by way of hyperlinks through which users of such other websites can have access to the Group's portals.

Business objectives as disclosed in the Prospectus

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

Overseas Expansion

- Launch a mainland PRC-focused website in Hong Kong or in the PRC (if so permitted by the PRC law) for the Group's target viewers in the "Chinanet" triangle of Beijing, Shanghai and Guangzhou in the PRC
- Produce and/or source exclusive localized content and services and translating content from the Group's Hong Kong, Singapore and Taiwan sites into 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

Actual business pursuit as of 30th September, 2000

Based on existing MOU with Hutchison Telecommunication, the Group has established a strategic alliance relationship to distribute contents at its platform via WAP technology. Peoples Telephone Company has launched its WAP service with the Group as one of its content providers. Details of such proposed co-operation are still being negotiated.

In final progress, with all basic contents developed and adapted into the simplified Chinese version by 30th September, 2000. Active negotiations with PRC celebrities were on-going in preparation for the launch, which is expected to take place in the next quarter.

The Group has translated such contents of its Hong Kong, Singapore and Taiwan sites which are targeted for international viewers. For instance, the Group has translated the contents of jackiechan.stareastnet.com into both English and Japanese.

The Group contracted with 3 additional local celebrities in Singapore, namely, Faith Yang, Justine Liow and Sheiley Yee whereas no local celebrity was contracted in Taiwan during this period. The Group has also identified a few prospective joint venture partners in Korea and Japan and negotiations for co-operations were underway.

Business objectives as disclosed in the Prospectus

- Prepare for the development of a regional site in North America
- Set up and/or develop local offices in Singapore, Taiwan and North America for sales and marketing and content production
- Expect to generating advertising and/or content sales revenue from regional and mirror websites

Actual business pursuit as of 30th September, 2000

Development is in progress. The North America site has already developed its own look and feel together with certain localized contents, such as sports for the Group's North America users.

The Group has set up offices in Taiwan and Singapore with full teams of sales and marketing and content production to increase local sales and develop local contents. The North America office in Vancouver also started to pursue the opportunity of advertising and content sales and to coordinate with other offices for content production in North America.

The Group's portals in Taiwan and Singapore have been contributing advertising revenue to the Group since their launch. Negotiations with regional TV broadcasting companies and other internet portals in respect of provisions of content by the Group were in progress.

Marketing and Promotion

- Implement a targeted marketing programme including on-line and off-line advertising, public relations and event marketing

A targeted marketing programme, including on-line marketing through other major portals, e-mailing campaigns and event marketing directed to specific communities, was implemented.

Business objectives as disclosed in the Prospectus

- Develop the customer service division to provide support for e-commerce transactions
- Marketing activities, including print, television and radio advertising and launch parties for the launching of new websites
- Sell content produced by the Group to third parties to increase brand awareness which is expected to generate revenues for the Group

Actual business pursuit as of 30th September, 2000

The customer service division was further strengthened with stronger logistics support and efficient telephone hotline to enhance customer care.

Successful launch campaigns in relation to the introduction of Singapore and Taiwan localized websites were carried out. Press conference and road shows were successfully completed regarding the launch of Anita Lee Yuen Wah's modern diet and exercise programs which were sponsored by a renowned health and fitness centre and generated revenue for the Group.

The Group has received revenue through the sale of video content to Singapore Cable Vision Ltd. The Group has also initiated preliminary negotiation with various pay TV broadcasting companies with the intention of selling to these companies the content produced by the Group.

FUTURE PLANS AND DEVELOPMENTS

STAREASTnet.com is well in the path to achieve its vision to become the pre-eminent vertically-integrated internet content provider for entertainment and life-style information for Chinese language users worldwide. To accomplish its goal, the Group will continue to actively recruit celebrities, enhance its existing content with new exclusive features, and pursue strategic alliance with synergistic benefits to its business. Parallel with this, the Group will also look to potential strategic investment and acquisition opportunities that will create synergies for or bring on revenue growth to the Group, with a view to ultimately entrenching its position as one of the leading Chinese entertainment content provider.

Despite prevailing volatility in the new economy stock market globally, the Group believes that the Asia-Pacific Internet market still possesses tremendous growth potential. In particular, the Group views the China internet market as very attractive in terms of its size and infant stage of development, and will focus its efforts to seek appropriate development opportunities.

Depressed market sentiment in the new economy is anticipated to persist in the short term. In order to sustain its competitiveness, the management will emphasize on enhancing operating efficiencies and further containing operating costs. Spending on regional portal development, branding and general operating expenses are expected to be reduced further in the prospective period.

Looking ahead, the Group will continue to strive for growing revenue and profitability. It is the strategy of STAREASTnet.com to focus on production of revenue-generating entertainment-related content with a view to maximizing revenue through provisions of one-stop customised entertainment marketing services, capturing “showbiz to e-biz” e-commerce opportunities and sale of content. The Group is also mulling over the concept of offering total e-business solutions to clients by leveraging off the expertise and existing resources of the Group’s experienced web technical and content development team.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support, to the management, celebrities and staff for their contributions and dedicated efforts throughout the period.

Tam Wing Lun, Alan
Chairman

Hong Kong, 7th November, 2000

INTERIM RESULTS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER, 2000

The unaudited consolidated results of the Group for the three months and six months ended 30th September, 2000, together with the comparative unaudited figures for the corresponding periods in 1999 are as follows:

	Notes	Three months ended 30th September		Six months ended 30th September	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	13,143	0	21,527	0
Cost of sales		<u>(24,311)</u>	<u>0</u>	<u>(42,209)</u>	<u>0</u>
Gross loss		(11,168)	0	(20,682)	0
Advertising and promotion expenses		(11,736)	(2,661)	(33,379)	(2,661)
Administrative expenses		<u>(21,053)</u>	<u>(7,933)</u>	<u>(49,188)</u>	<u>(14,638)</u>
Loss from operations		(43,957)	(10,594)	(103,249)	(17,299)
Interest income		1,970	21	2,560	21
Interest expenses and finance lease charges		<u>(1,835)</u>	<u>(92)</u>	<u>(3,364)</u>	<u>(95)</u>
Net loss for the periods		<u>(43,822)</u>	<u>(10,665)</u>	<u>(104,053)</u>	<u>(17,373)</u>
Loss per share (cents) – basic	4	<u>(4.273)</u>	<u>(1.285)</u>	<u>(10.830)</u>	<u>(2.093)</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 share 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 Reorganisation is regarded as a continuing entity. Accordingly, the consolidated results of the Group for the three months and six months ended 30th September, 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 three months and six months ended 30th September, 1999 have been prepared as if the Group Reorganisation had been effective since 1st April, 1999. 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		Six months ended	
	30th September		30th September	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advertising revenues	12,431	-	18,243	-
Sales of goods, net of discounts and allowances	631	-	3,203	-
Content sales	81	-	81	-
	<u>13,143</u>	<u>-</u>	<u>21,527</u>	<u>-</u>

3. Taxation

No provision for Hong Kong profits tax has been made as the Group incurred a tax loss for the periods under review.

No deferred tax asset has been recognized 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 three months and six months ended 30th September, 2000 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$43,822,000 and HK\$104,053,000 (1999: HK\$10,665,000 and HK\$17,373,000) and the weighted average number of approximately 1,025,500,000 and 960,798,000 (1999: 830,000,000 and 830,000,000) shares in issue during the three months and six months ended 30th September, 2000.

The weighted average number of 830,000,000 shares for the corresponding periods in 1999 is determined on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 530,000,000 shares of the Company had been effective since 1st April, 1999.

No diluted loss per share has been presented for the three months and six months ended 30th September, 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 six months ended 30th September, 2000 (1999: Nil).

DIRECTORS' INTEREST IN SHARES

As at 30th September, 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	Personal Interests	No. of shares		Other Interests
			Family interests	Corporate interests (Note)	
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 September, 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 the Stock Exchange.

OUTSTANDING SHARE OPTIONS

As at 30th September, 2000, options comprising an aggregate of 104,270,000 underlying shares granted pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme were outstanding. All of these options are subject to the same limitations on the timing of exercise as detailed in the section headed "Directors' Rights to Acquire Shares".

Pre-IPO Share Option Scheme

As at 30th September, 2000, options comprising an aggregate of 98,390,000 underlying shares granted on 26th May, 2000 at an exercise price of HK\$1.18 per share were outstanding. These options were granted to the following categories of grantees:-

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options
Directors of the Group	18	69,100,000
Contracted celebrities	2	10,910,000
Employees	96	18,380,000
		<hr/>
		Total 98,390,000

Details of the 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
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	Total 18,600,000

Subsequent to 30th June, 2000 and up to 30th September, 2000, options comprising a total of 650,000 underlying shares granted to 8 employees were lapsed when they ceased to be employed by the Group.

Employee Share Option Scheme

As at 30th September, 2000, options comprising an aggregate of 5,880,000 underlying shares granted to the full-time employees of the Group on 5th September, 2000 were outstanding. The scheme has a duration of 10 years from 15th May, 2000. Any option granted shall lapse when the relevant grantee ceases to be employed by the Group. The following are details of the options granted:-

Total no. of employees	No. of underlying shares comprised in the options	Exercise price Per share <i>HK\$</i>	Exercise period
19	5,880,000	1.75	5th September, 2000 to 4th September, 2005

Saved as disclosed above, no option pursuant to the Pre-IPO Option Scheme and the Employee Share Option Scheme had been exercised, cancelled or lapsed during the six months ended 30th September, 2000.

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 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
Total	50,500,000

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 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 September, 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 September, 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 of shareholder	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	19.67%
Star East (B.V.I.) Limited	201,690,000	19.67%
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 September, 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 six months ended 30th September, 2000.

By Order of the Board
Tam Wing Lun, Alan
Chairman

Hong Kong, 7th November, 2000