

**starEastnet**

**STAREASTnet.com Corporation**

(Incorporated in the Cayman Islands with limited liability)



**FIRST QUARTERLY REPORT 2001**

[www.stareastnet.com](http://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.**

**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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*This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## CHAIRMAN'S STATEMENT

We are pleased to present the quarterly results of STAREASTnet.com Corporation ("STAREASTnet" or the "Company") and its subsidiaries (the "Group") for the three months ended 30th June, 2001.

Striving to become the leading content and service provider for exclusive and compelling Internet entertainment content, products and services, STAREASTnet continued to pursue its goal to enhance shareholders' value.

To fulfil its business objective of maximising revenue growth, STAREASTnet has endeavoured to generate revenue from diversified products and value-added services. By offering unique, online and offline cross-media entertainment marketing services with the endorsement of celebrities, STAREASTnet has created cost-effective one-stop advertising and marketing services packages to advertisers during the quarter under review. Advertising revenue from online and offline entertainment marketing services was the Group's major revenue contributor. During the anniversary month of its listing on the Growth Enterprise Market, the Group created an online and offline marketing event including the offer of a variety of valuable cash coupons to members to purchase merchandise or services. Such event successfully attracted and promoted participating merchants and generated revenue for the Group. In addition, revenue was also generated from the licensing of content by the Group to TV broadcasting operators and a video distributor and the provision of information technology consulting services.

Since the economy downturn, the Group has made continued efforts to streamline operations and increase operational efficiency. As a result of concerted efforts of its management and staff, STAREASTnet continued to achieve improvements both operationally and financially. These can be demonstrated from the Group's substantial reduction in net loss of approximately 49% as compared with the last quarter ended 31st March, 2001, and approximately 70% as compared with the correspondence period last year. At the end of the period under review, STAREASTnet had over 500,000 registered members with average daily pageview of over 1.7 million.

In the midst of staggering growth in the information technology industry, STAREASTnet has managed to further consolidate its position as one of the leading entertainment Internet content providers in the region with the backing of our unparalleled pool of over

200 Asian celebrities. Making every endeavour to provide the best possible services to our users, we have revamped our main portal [www.stareastnet.com](http://www.stareastnet.com) to offer refreshing surfing experience to users. From this enriched, unique and artiste-based entertainment content, STAREASTnet is expected to be in a position to realise more business opportunities.

## **FINANCIAL REVIEW**

During the three months ended 30th June, 2001, the Group achieved a turnover of approximately HK\$8,087,000, whereas a turnover of approximately HK\$8,384,000 was recognized during the three months ended 30th June, 2000. A net loss of approximately HK\$18,003,000 was recorded for the three months ended 30th June, 2001. The net loss for the three months ended 30th June, 2000 was approximately HK\$60,231,000.

Owing to the continued downturn of the advertising market, turnover for the three months ended 30th June, 2001 decreased slightly as compared with the corresponding period last year. However, operating margin has improved by 74% as compared with the corresponding period last year. Through the Group's continuing efforts to streamline operations and increase operational efficiency, advertising and promotion expenses and administrative expenses also decreased by approximately 99% and 55% respectively as compared with the corresponding period last year. As a result, a substantial decrease in net loss of approximately 70% as compared with the corresponding period of last year was achieved.

The cash and bank balance of the Group as at 30th June, 2001 amounted to approximately HK\$40 million.

## **OPERATIONS REVIEW**

### **Content Development**

In line with the Group's business objective to provide innovative, trendy-setting, attractive and exclusive content, services and products to the customers and viewers, the Group continued to enrich its content by adding new features. The new online interactive games, e-magazine, short message services for mobile phones and voice messages services were all successfully developed or being developing during the period under review.

The Group continued to enhance its celebrity element and successfully contracted with over 10 artistes in mainland China for the development of their official websites. It is expected that the Group will contract with more renowned celebrities in the region to enhance the scope and breadth of its regional websites.

The mega sites of the Group were maintained at premium quality with trendy outlook and exclusive content. In April 2001, the official website of pop singer, Kelly Chen – *kellychen.stareastnet.com* won the “Best Idol Site Award” in the “Hi-tech Web Awards 2001” organised by HK WebMasters Association, Commercial Radio and Hi-Tech Weekly of the Ming Pao Newspaper Group. This reaffirmed the Group’s achievement and leading status in its entertainment content development. Revamp of the official website of another superstar, Leon Lai – *leonstareastnet.com* in April 2001 created a fresh outlook and even more innovative content for users to sustain surfer loyalty. Development of English and Japanese versions of these mega sites were under way to meet the needs of their global fans. In order to provide Internet users with unique online shopping experience over the Internet, STAREASTnet planned to re-launch the Jackie Chan e-mall in the second quarter of the year.

### Technological and Other Development

The Group has dedicated its efforts to combining entertainment content with state-of-the-art technology so as to cater for the increasing needs of Internet users around the globe. New WAP phones and personal digital assistant (PDA) features for e-commerce were successfully developed. These include PDA downloads which allow users to download “gossip” content to PDAs. Leveraging on the celebrity resources of the Group, development of entertainment-related content specifically for the third generation mobile phone is also under extensive negotiation with one of the leading telecommunications groups in Singapore. Experiencing artistes’ voice messages and movies clips through the users’ 3G mobile phones is impending through the combined efforts of both parties.

To enhance products and services to our customers, a new e-mall will be developed with complete e-commerce solutions including a secure e-commerce platform payment gateway.

### Overseas Expansion

In pursuit of overseas expansion, the Group has actively sought cooperation with business partners in the Asia Pacific region. Lining up with local entertainment content providers

in Korea to integrate Hong Kong's celebrities element into their existing websites is one of the Group's strategic tasks. In addition, the Group has licensed the content right to cable television stations in Singapore including Singapore Cable Vision and Media Corp TV12 to broadcast some of STAREASTnet's exclusive programmes, thus allowing more Asian viewers access to the unique entertainment content provided by the Group.

## **FUTURE PLANS AND DEVELOPMENTS**

Facing prevailing industry consolidation, STAREASTnet will continue to strengthen its foundation and endeavour to broaden its income sources by offering extensive multi-media and IT consulting services. The Group will also secure more distribution channels for STAREASTnet's exclusive entertainment content with a view to maximizing content sales revenue regionally. In addition, the Group will place greater emphasis on revenue-generating business including conventional marketing services with the support of its unrivalled content production capability and immense celebrity pool. Through the seamless integration of new media and conventional marketing services with innovation, we are set to provide advertisers with unique value-added cross-media entertainment marketing services to excel in the industry.

In the wake of flagging Internet industry, the Group will continue to pursue a strategy of prudent financial control whilst diversifying revenue streams. With a view to sustaining competitiveness, the Group will further reduce operating costs by streamlining its operations.

To embrace the future challenges, the Group is exploring opportunities for investment in conventional media and content production ventures which focus on the regional and Greater China markets. It is anticipated that such investment will bring synergies to the Group's existing business. Steps are also taken to explore opportunities arising from the convergence of wireless technology and broadband. We are positioned to meet the current market adversity with our ongoing strategy of measured diversity, a more balanced business mix, and a strong emphasis on maintaining financial strength. STAREASTnet is well-positioned to ride through the challenges ahead and emerge stronger in the new economic order.

## **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, 10th August, 2001



## 1ST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30TH JUNE, 2001

The unaudited consolidated results of the Group for the three months ended 30th June, 2001, together with the comparative unaudited figures for the corresponding period in 2000 are as follows:

	<i>Notes</i>	<b>Three months ended 30th June</b>	
		<b>2001 HK\$'000</b>	2000 <i>HK\$'000</i>
Turnover	2	<b>8,087</b>	8,384
Cost of sales		<b>(10,466)</b>	(17,898)
Gross loss		<b>(2,379)</b>	(9,514)
Advertising and promotion expenses		<b>(192)</b>	(21,643)
Administrative expenses		<b>(12,620)</b>	(28,135)
Loss from operations		<b>(15,191)</b>	(59,292)
Cost of streamlining operations	3	<b>(1,867)</b>	-
Interest income		<b>492</b>	590
Other revenue		<b>136</b>	-
Finance costs		<b>(1,475)</b>	(1,529)
Share of results of an associate		<b>(98)</b>	-
Net loss for the period		<b>(18,003)</b>	(60,231)
Loss per share (cents) – basic	5	<b>(1.756)</b>	(6.727)



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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, 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 have been prepared using the merger method of accounting in accordance with Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" as if the Company had always been the holding company of the Group.

Details of the Group Reorganisation are set out in the Company's prospectus dated 23rd May, 2000.

The shares of the Company were listed on GEM on 1st June, 2000.

**2. Turnover**

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Advertising and sponsorship revenues	<b>4,156</b>	5,812
Sales of goods, net of discounts and allowances	<b>30</b>	2,572
Content sales	<b>955</b>	-
Consulting services	<b>2,946</b>	-
	<hr/>	<hr/>
Total	<b>8,087</b>	8,384
	<hr/>	<hr/>

### 3. Cost of streamlining operations

As a result of market changes, the Group continued to streamline its operations in order to optimise its resources allocation. The expenses incurred as a result of this exercise were as follows:

	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Staff redundancy expenses and others	<b>1,619</b>	-
Loss on disposal of property and equipment	<b>248</b>	-
	<hr/>	<hr/>
Total	<b><u>1,867</u></b>	<u>-</u>

### 4. Taxation

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

### 5. Loss per share

The calculation of the basic loss per share for the three months ended 30th June, 2001 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$18,003,000 (2000: HK\$60,231,000) and the weighted average number of 1,025,500,000 shares (2000: 895,413,000 shares) in issue during the period.

The weighted average number of approximately 895,413,000 shares for the corresponding period in 2000 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 on 1st April, 2000.

No amount has been presented for the diluted loss per share for either period as the exercise of the Company's outstanding share options would have an anti-dilutive effect on the loss per share.

## 6. Interim dividend

The board of directors does not recommend the payment of an interim dividend for the three months ended 30th June, 2001 (2000: Nil).

## DIRECTORS' INTEREST IN SHARES

As at 30th June, 2001, 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 of Hong Kong Limited (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 <i>(Note)</i>	-
Chan Pak Cheung, Natalis	STAREASTnet.com Corporation	-	-	87,150,000 <i>(Note)</i>	-

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

Save as disclosed above, as at 30th June, 2001, 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, were required to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Scheme and Employee Share Option Scheme as described in the section headed "Outstanding Share Options" below, the directors of the

Company and its subsidiaries (including alternate directors) had been granted share options to subscribe shares in the Company as follows:

Name of director	Date of grant	Option period	Exercise price per share <i>HK\$</i>	Number of underlying shares comprised in the options				
				Outstanding as at 01.04.2001	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.06.2001
Tam Wing Lun, Alan	26.05.2000	26.05.2000 to 25.05.2005	1.18	12,500,000	-	-	-	12,500,000
Wong Kun To	26.05.2000	26.05.2000 to 25.05.2005	1.18	12,500,000	-	-	-	12,500,000
	10.01.2001	10.01.2001 to 09.01.2006	1.10	6,000,000	-	-	-	6,000,000
Chan Pak Cheung, Natalis	26.05.2000	26.05.2000 to 25.05.2005	1.18	12,500,000	-	-	-	12,500,000
Peter Anthony Allen	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Chung Cho Yee, Mico	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Chan Kong Sang, Jackie	26.05.2000	26.05.2000 to 25.05.2005	1.18	6,000,000	-	-	-	6,000,000
Masahide Saito	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Masanori Suzuki	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000

Name of director	Date of grant	Option period	Exercise price per share HK\$	Number of underlying shares comprised in the options				
				Outstanding as at 01.04.2001	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.06.2001
Bradford Allen	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Dominic Lai	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Vincent Ting Kau Cheung	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
Tsang Chi Wai, Eric*	26.05.2000	26.05.2000 to 25.05.2005	1.18	10,000,000	-	-	-	10,000,000
Chau Mei Wah, Rosanna*	26.05.2000	26.05.2000 to 25.05.2005	1.18	2,000,000	-	-	-	2,000,000
Chan Yan Kin, Philip*	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,100,000	-	-	-	1,100,000
	10.01.2001	10.01.2001 to 09.01.2006	1.10	2,000,000	-	-	-	2,000,000
Wong Yiu Hung*	26.05.2000	26.05.2000 to 25.05.2005	1.18	2,000,000	-	-	-	2,000,000
	10.01.2001	10.01.2001 to 09.01.2006	1.10	2,000,000	-	-	-	2,000,000

Name of director	Date of grant	Option period	Exercise price per share HK\$	Number of underlying shares comprised in the options				
				Outstanding as at 01.04.2001	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30.06.2001
Wong Lai Kin, Elsa*	26.05.2000	26.05.2000 to 25.05.2005	1.18	1,000,000	-	-	-	1,000,000
	10.01.2001	10.01.2001 to 09.01.2006	1.10	1,000,000	-	-	-	1,000,000
Tai Chi Pin, Franky*	26.05.2000	26.05.2000 to 25.05.2005	1.18	700,000	-	-	-	700,000
	10.01.2001	10.01.2001 to 09.01.2006	1.10	1,000,000	-	-	-	1,000,000

\* director of the Group's subsidiaries

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and Employee 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

None of the above options has been exercised during the three months ended 30th June, 2001.

Save as disclosed above, at no time during the three months ended 30th June, 2001 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.

## OUTSTANDING SHARE OPTIONS

As at 30th June, 2001, options comprising an aggregate of 124,380,000 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" above.

### Pre-IPO Share Option Scheme

As at 30th June, 2001, options comprising an aggregate of 93,160,000 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	17	67,300,000
Contracted celebrities	2	10,910,000
Employees	68	14,950,000
		<hr/>
Total		<u>93,160,000</u>

Details of the grant to the directors of the Company and its subsidiaries (including the alternate directors) are disclosed in the section headed "Directors' Rights to Acquire Shares" above.

Subsequent to 31st March, 2001 and up to 30th June, 2001, options comprising a total of 180,000 underlying shares granted to 3 employees lapsed when they ceased to be employed by the Group.

## Employee Share Option Scheme

As at 30th June, 2001, options comprising an aggregate of 31,220,000 underlying shares granted to the full-time employees of the Group on 5th September, 2000 and 10th January, 2001 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 outstanding options:

<b>Categories of grantees</b>	<b>Total no. of Grantees</b>	<b>No. of underlying shares comprised in the options</b>	<b>Exercise price per share</b> <i>HK\$</i>	<b>Option period</b>
Employees	9	4,900,000	1.75	5th September, 2000 to 4th September, 2005
Directors of the Group	5	12,000,000	1.10	10th January, 2001 to 9th January, 2006
Employees	81	14,320,000	1.10	10th January, 2001 to 9th January, 2006
<b>Total</b>		<b>31,220,000</b>		

Details of the grant to the directors of the Company and its subsidiaries (including the alternate directors) are set out in the section headed "Directors' Rights to Acquire Shares" above.

Subsequent to 31st March, 2001 and up to 30th June, 2001, options comprising a total of 2,755,000 underlying shares granted to 20 employees lapsed when they ceased to be employed by the Group.

Saved as disclosed, no option pursuant to the Pre-IPO Option Scheme and the Employee Share Option Scheme had been exercised, cancelled or lapsed during the three months ended 30th June, 2001.

A summary of the major terms of each share scheme is set out on pages 239 – 245 of the Company's prospectus dated 23rd May, 2000.



## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, 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 Company's issued share capital:

Name of shareholder	Number of shares held	Approximate percentage of shareholding
Hanny Holdings Limited <sup>(1)</sup>	225,760,000	22.01%
Hanny Magnetics (B.V.I.) Limited <sup>(2)</sup>	225,760,000	22.01%
Genius Ideas Limited	225,760,000	22.01%
Star East Holdings Limited <sup>(3)</sup>	367,690,000	35.85%
Star East (B.V.I.) Limited <sup>(4)</sup>	367,690,000	35.85%
Star East Information Technology Management Co. Limited	332,000,000	32.37%
Li Tzar Kai, Richard <sup>(5)</sup>	332,000,000	32.37%
Pacific Century Group Holdings Limited <sup>(6)</sup>	332,000,000	32.37%
Pacific Century International Limited <sup>(7)</sup>	332,000,000	32.37%
Pacific Century Group (Cayman Islands) Limited <sup>(8)</sup>	332,000,000	32.37%
Anglang Investments Limited <sup>(9)</sup>	332,000,000	32.37%
Pacific Century Regional Developments Limited <sup>(10)</sup>	332,000,000	32.37%
Pacific Century CyberWorks Limited <sup>(11)</sup>	332,000,000	32.37%
Century Power Group Limited <sup>(12)</sup>	332,000,000	32.37%
CyberVentures (Bermuda) Limited <sup>(13)</sup>	332,000,000	32.37%
CyberWorks Ventures Limited <sup>(14)</sup>	332,000,000	32.37%
Splendid Stars Group Limited <sup>(15)</sup>	332,000,000	32.37%
Yasumitsu Shigeta <sup>(16)</sup>	149,400,000	14.57%
Hikari Power, Limited <sup>(17)</sup>	149,400,000	14.57%
Hikari Tsushin, Inc. <sup>(18)</sup>	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.
- (18) Including direct interest and indirect interest through its subsidiary.

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.

## SPONSORS' INTERESTS

As updated and notified by the Company's sponsors, BNP Paribas Peregrine Capital Limited ("BNP Paribas") and Tai Fook Capital Limited ("Tai Fook") (the "Sponsors"), as at 30th June, 2001 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.

By a termination agreement dated 30th May, 2001, Tai Fook ceased to be the Company's sponsor with effect from 31st May, 2001. BNP Paribas remains the sole sponsor of the Company under the sponsors agreement dated 22nd May, 2000 until 31st March, 2003.

BNP Paribas received a fee for acting as the Company's retained sponsors for the period between 22nd May, 2000 and 30th June, 2001.

## COMPETING INTERESTS

Set out below is information disclosed pursuant to Rule 11.04 of the GEM Listing Rules:

Hanny Holdings Limited ("Hanny"), a management shareholder of the Company, is engaged, through its subsidiary Cyber Business Network (Singapore) Pte Ltd ("CBN"), in development of Chinese and bilingual websites and provision of e-business consulting services. Dr. Chan Kwok Keung, Charles, director of a subsidiary of the Company, is also the Chairman of Hanny. However, Dr. Chan is not a director of CBN and there is no common director between the board of CBN and that of any company within the Group. Further, Dr. Chan has not assumed any management role in the said subsidiary of the Group nor any other companies within the Group.

Given the relatively small scale of the Group's information technology consulting business, and the fact that such business targets at a different geographical market from that of CBN, the directors do not believe that there is any significant risk of competition between the Group's information technology consulting business and that of CBN.

Saved as disclosed above, the directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates had an interest in a business which competes or is likely to compete with the business of the Group.

## **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. Vincent Ting Kau Cheung.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee met once during the period under review.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30th June, 2001.

By Order of the Board  
**Tam Wing Lun, Alan**  
*Chairman*

Hong Kong, 10th August, 2001