



StarEastNet

STAREASTnet.com Corporation

(Incorporated in the Cayman Islands with limited liability)

**StarEast
Net**

**Interim
Report
2001**

INTERIM REPORT 2001

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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

I have pleasure to present to shareholders the interim results for the six months from 1st April, 2001 to 30th September, 2001 of STAREASTnet.com Corporation (the "Company" or "STAREASTnet.com") and its subsidiaries (together, the "Group").

Amidst the continued global downtrend in the internet arena, online advertising and e-commerce markets have been drastically weakening. Facing intense competition among the market players, the Group continued to strengthen its foundation and endeavour to broaden its income sources. Advertising revenue from online and offline entertainment marketing services remained the backbone of the Group's revenue. Greater emphasis has been placed on revenue-generating businesses including the provision of conventional marketing services. With the Group's continuous efforts to streamline operations, coupled with a disciplined approach to the overall cost structure, STAREASTnet witnessed a significant reduction in loss as compared to the previous quarter.

The Group has also implemented several initiatives in further enhancing its online content offerings during the period under review. These include the revamp of its main portal *www.stareastnet.com* and the official website of another superstar, Leon Lai. A stable average daily page views of over 1.5 million and registered members of 530,000 were recorded as at 30th September 2001. It is most encouraging that *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 in April, 2001, which reaffirmed the Group's leading status in its entertainment content development.

In line with the Group's objective of broadening income source by bundling new and traditional media assets and services into different product packages to advertisers, the Group has started to evaluate investment options that will enhance revenue growth and bring synergistic benefits. In September, 2001, the Group announced the acquisition of Actiwater Resources Limited, a company which holds the media interests comprising principally Sing Pao Daily News, Wide Angle magazine and 60% of the internet portal *www.cyoul.net*, for a consideration of HK\$210 million. Simultaneously, the Group also announced a rights issue of 1,538,250,000 rights shares of HK\$0.10 each on the basis of three rights shares for every two existing shares held, with warrants to be issued in the proportion of one warrant for every two rights shares subscribed, to raise proceeds of

approximately HK\$148 million net of expenses. Details of the acquisition and rights issue were set out in the Company's circular to its shareholders dated 22nd October, 2001. The rights issue is expected to be completed by end November 2001 and the acquisition by early December 2001.

FINANCIAL REVIEW

During the six months ended 30th September, 2001, the Group achieved a turnover of approximately HK\$14,818,000, whereas a turnover of approximately HK\$21,527,000 was recognized during the six months ended 30th September, 2000. Net loss of approximately HK\$35,797,000 was recorded for the six months ended 30th September, 2001 versus net loss of approximately HK\$104,053,000 for the six months ended 30th September, 2000.

Turnover for the second quarter ended 30th September, 2001 decreased by approximately 17% as compared with the first quarter ended 30th June, 2001 due to the downturn of the advertising market and deteriorating global economic environment throughout the period. Administrative expenses have decreased by approximately 31% for the second quarter ended 30th September, 2001 compared with the last quarter as a result of disciplined cost management.

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

OPERATIONS REVIEW

Combining the strengths of new media and conventional marketing services, STAREASTnet will continue to pursue its business goals as a preeminent media services provider. The Group has the following business objectives (as detailed in its prospectus of placing and public offer dated 23rd May, 2000 (the "Prospectus"), with the actual business progress achieved in the six months ended 30th September 2001 set out next thereto for comparison:

Comparison of Business Objectives with Actual Business Progress

The following is a summary of the actual business progress in comparison with the business objectives set out in the Prospectus. Almost all objectives have been achieved whilst a few were adapted in the light of the change of market conditions. The Group will

continuously review its business objectives and strategies and make alignment accordingly to respond to the actual market conditions.

Business objectives as disclosed in Prospectus

Actual business pursuit as at 30th September, 2001

Content Development

1. Target to recruit 5 additional artistes to enhance the scope and breadth of the Group's websites
 - The Group had successfully contracted with over 10 artistes in Mainland China for developing their official websites.
2. Develop entertainment-related content specifically for the 3rd generation mobile phone, such as short video clips
 - Despite the global delay in launching 3rd generation mobile service ("3G"), the Group has already developed entertainment-related content for the 3G, such as short video clips. Thus, the Group is well poised to launch such service when the 3G market is ready.
3. Translate content into different languages (including Malay, Thai and other Asian languages), if required
 - *Jackiechan.stareastnet.com*, the official website of international star Jackie Chan, started to offer three different languages namely Chinese, English and Japanese. The English version of the official website of movie star Christy Chung – *christychung.stareastnet.com* has been developed for launch. Besides, initial stage of developing the content of *leonstareastnet.com*, the official website of superstar Leon Lai, and *kellychen.stareastnet.com*, the official website of pop singer Kelly Chen, into other Asian languages were in progress.

Business objectives as disclosed in Prospectus

E-commerce development

1. Establish B2B e-commerce for the entertainment industry by offering a platform for vendors to sell production merchandise and equipment

Technological development

1. Further explore alternative distribution networks for high-speed data transmission
2. Continue to acquire or develop new Web technologies for content management and distribution in order to support the launching of new features and content, such as web-based television and entertainment-related content for the 3rd generation mobile phone
3. Expand strategic alliances with mobile service providers to enhance the distribution network of mobile content

Actual business pursuit as at 30th September, 2001

- The Group has established B2B e-commerce by offering a platform for URPHOTO to sell photos of artistes and merchandise with artiste images printed on the products.
- To further enhance our network for high-speed data transmission services, we had relocated our data center to PCCW PowerBase and iLink. At PCCW, our servers are directly connected to PCCW's regional distribution network Netplus and local ISP Netvigator, thus our regional and local members' download time has been reduced in average by half as compared with the previous data centre. To enhance our service availability, partial equipment are relocated to iLink to provide the Group's redundancy site in case there is service interruption in Hong Kong primary data center PCCW PowerBase and our regional websites.
- A Real-time Video Streaming System applicable on mobile phone with Java 2, Micro Edition ("JV2ME") feature has been developed and is ready for launch once the 3G mobile services market becomes mature.
- The Group continued to ally with other mobile service providers. In Taiwan, the Group offered proprietary artiste voice message service to Yes Mobile subscribers and continued to explore further opportunities to provide more mobile content through Yes Mobile network.

Business objectives as disclosed in Prospectus

Actual business pursuit as at 30th September, 2001

Overseas expansion

1. Adapt existing content for overseas viewers interested in Chinese entertainment and life-style information by translating content of existing sites into non-Asian languages, if appropriate

2. Identify other countries in Asia that are suitable to develop regional sites

3. Expand overseas offices in Singapore and Taiwan, particularly for sales and marketing and content production, to produce and market the Group's exclusive broadband multi-media content

- In addition, a similar artiste voice message service has been developed with an information technology company in the PRC and such service is ready for launch.

- The Group launched the English and Japanese versions of *jackiechan.stareastnet.com*, the official website of Jackie Chan, to meet the interest of overseas viewers. In addition, the English version of the official website of Christy Chung has been developed for launch and the English version of the official website of Kelly Chen was under development.

- The Group identified Japan and Korea as suitable countries in Asia for developing regional sites. Initial phase of content development for each of these sites was in progress.

- Amidst the flagging internet industry and the economy downturn, the Group has made continued efforts to streamline its regional operations. The Group maintained its regional offices with optimal scale and continued to increase their operational efficiency whilst maintaining integrated sales force across the region.

FUTURE PLANS AND DEVELOPMENTS

STAREASTnet will continue to take a pragmatic approach to its development and adjust its business strategies according to the constant transformation of the business landscape. The Group laid the foundations of its cross media platform by acquiring the media assets of the Actiwater Resources group. The directors are of the view that the acquisition is able to bring synergistic benefits via the integration of the traditional media business with the Group's internet business. In addition, it is expected that the acquisition will enable the Group to (1) strengthen its revenue-generating capability and has an immediate effect on its revenue with the contributions of turnover generated by the various media businesses of the Actiwater Resources group; (2) increase its product variety by offering advertisers cross-media advertising products/packages; (3) enrich and expand the content of the Group's portal and generate internet content more efficiently by leveraging on the content daily produced by Sing Pao Daily News; and (4) enhance the Group's operational efficiency via sharing of resources and contents.

In the future, the Group will continue to provide online multimedia entertainment and lifestyle information with an emphasis on synergy between traditional and virtual media business. Given that business viability in the online advertising industry being limited in the near future, the Group will adopt a cross-media strategy by offering advertisers integrated online and offline packages in advertising and marketing services. In anticipation of continued difficult environment for the media sectors, the Group's broadened income source, disciplined cost structure together with the combined strengths of new and traditional media assets has well positioned itself against the challenges ahead.

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, 9th November, 2001

INTERIM RESULTS FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER, 2001

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

	Notes	Three months ended 30th September		Six months ended 30th September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	6,731	13,143	14,818	21,527
Cost of sales		(10,773)	(24,311)	(21,239)	(42,209)
Gross loss		(4,042)	(11,168)	(6,421)	(20,682)
Advertising and promotion expenses		(1,598)	(11,736)	(1,790)	(33,379)
Administrative expenses		(8,693)	(21,053)	(21,313)	(49,188)
Loss from operations		(14,333)	(43,957)	(29,524)	(103,249)
Cost of streamlining operations	3	(2,373)	-	(4,240)	-
Interest income		260	1,970	752	2,560
Other income		18	-	154	-
Interest expenses and finance lease charges		(1,366)	(1,835)	(2,841)	(3,364)
Share of results of associates		-	-	(98)	-
Net loss for the periods		(17,794)	(43,822)	(35,797)	(104,053)
Loss per share (cents) – basic	5	(1.735)	(4.273)	(3.491)	(10.830)

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

	Three months ended 30th September		Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Advertising and sponsorship revenues	4,655	12,431	8,811	18,243
Sales of goods, net of discounts and allowances	104	631	134	3,203
Content sales	702	81	1,657	81
Consulting services	1,270	-	4,216	-
Total	<u>6,731</u>	<u>13,143</u>	<u>14,818</u>	<u>21,527</u>

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 :

	Three months ended 30th September		Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Staff redundancy expenses and others	306	-	1,925	-
Loss on disposal of property and equipment	2,067	-	2,315	-
Total	2,373	-	4,240	-

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 and six months ended 30th September, 2001 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$17,794,000 and HK\$35,797,000 (2000 : HK\$43,822,000 and HK\$104,053,000) and the weighted average number of 1,025,500,000 and 1,025,500,000 (2000: 1,025,500,000 and 960,798,000) shares in issue during the three months and six months ended 30th September, 2001 respectively.

The weighted average number of 960,798,000 shares for the six months ended 30th September, 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 six months ended 30th September, 2001 (2000 : Nil).

DIRECTORS' INTEREST IN SHARES

As at 30th September, 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 September, 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, are 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, as at 30th September, 2001 the directors of the Company and the directors (including alternate directors) of subsidiaries of the Company had share options granted by the Company to subscribe shares in the Company as follows: -

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 30.09.2001
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
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
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

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 30.09.2001
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
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 six months ended 30th September, 2001.

Save as disclosed above, at no time during the six months ended 30th September, 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 September, 2001, options comprising an aggregate of 119,170,000 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 September, 2001, options comprising an aggregate of 93,080,000 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	66	14,870,000
		<hr/>
Total		<u>93,080,000</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 30th June, 2001 and up to 30th September, 2001, options comprising a total of 80,000 underlying shares granted to 2 employees lapsed when they ceased to be employed by the Group.

Employee Share Option Scheme

As at 30th September, 2001, options comprising an aggregate of 26,090,000 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:

Categories of grantees	Total no. of Grantees	No. of underlying shares comprised in the options	Exercise price per share <i>HK\$</i>	Option period
Employees	8	4,800,000	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	55	9,290,000	1.10	10th January, 2001 to 9th January, 2006
		26,090,000		
Total				

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 30th June, 2001 and up to 30th September, 2001, options comprising a total of 5,130,000 underlying shares granted to 27 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 September, 2001.

A summary of the major terms of each share scheme is set out on pages 239 – 245 of the Prospectus.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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 ⁽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. ⁽¹⁸⁾	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.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas"), as at 30th September, 2001 neither BNP Paribas nor any of its 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.

BNP Paribas received a fee for acting as the Company's sponsor for the period between 22nd May, 2000 and 30th September, 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 in, inter alia, 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 has not assumed any management role in this subsidiary 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 Hanny, the directors do not believe that there is any significant risk of competition between the Group's information technology consulting business and that of Hanny.

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 will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures. The audit committee met twice 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 six months ended 30th September, 2001.

On behalf of the Board
Tam Wing Lun, Alan
Chairman

Hong Kong, 9th November, 2001